

ONTARIO SCHOOL

BOOKKEEPING

SECOND COURSE

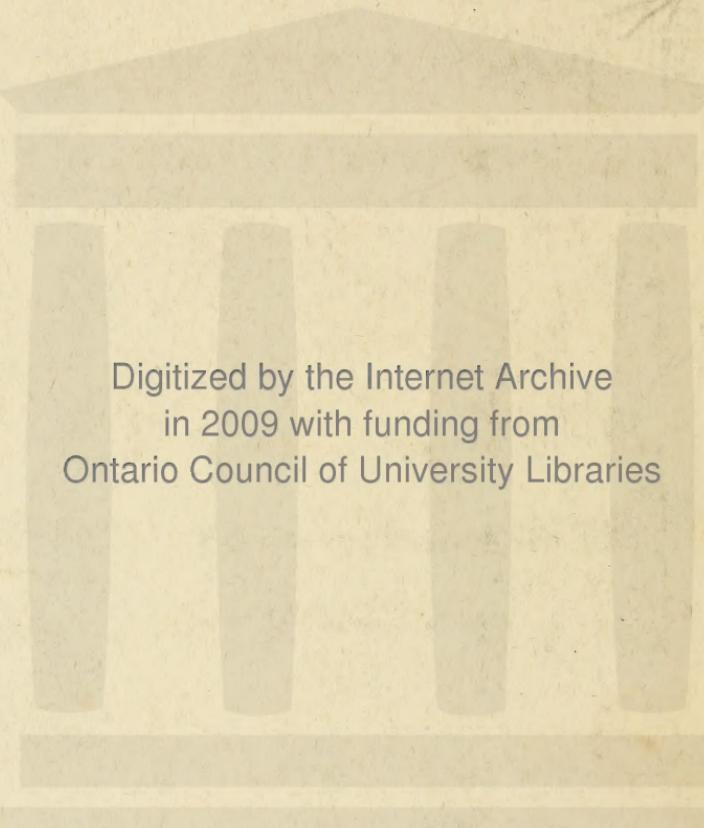


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ONTARIO SCHOOL BOOKKEEPING

SECOND COURSE

A PRACTICAL COURSE IN BOOKKEEPING AND ACCOUNTING FOR USE
IN CONTINUATION AND HIGH SCHOOLS AND
COLLEGIATE INSTITUTES

BY

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PREFACE AND PRELIMINARY EXPLANATIONS

THE object in view in preparing this book has been to meet the need for a text-book in Bookkeeping for second, third, and fourth years in secondary schools.

While the sets of transactions given have reference to particular lines of business, the book does not profess to deal with each in a specialized manner. For the sake of clearness, particular lines of business, and definite systems of bookkeeping, have been adopted, and business usages have been strictly adhered to throughout, but the main purpose of the book is to set forth the principles underlying the science of accountancy, and to show how these principles may be applied, so that the students who have completed the course will be able to adapt themselves to any system.

Hence careful attention has been given to the use of special books and of special columns, but always with reference to their place in the complete system. In like manner, the trading side and the expense side of the record have been analyzed in such a way as to show at once how they may be made to exhibit the progress of the business and how they affect the arrangement of the books.

The instructions at the beginning of each set are given for the sake of definiteness. It is not intended that they shall be followed without variation. Changes may be made for the sake of special emphasis on any method of arrangement, but such change should be made so as to include all related parts in the system adopted.

Further, the sets may be taken in an order different from that in which they occur. For example, Set VIII may be taken immediately after Set III. In that case no reference need be made to the Shipment and Consignment Ledgers. Again, Sets IV and V may be worked without making provision for departments, and Sets III, IV, and V may be discontinued at the end of the first month in each case.

In order that the sets may be made shorter if desired inventories at the middle of each of the months of Sets II, III, IV, V, and VI are given.

INVENTORIES, SET II, OCT. 15, 19—

Mdse. on hand, \$1964.50; Real Estate, \$6000; Mortgage payable, \$4000; Interest accrued on Mortgage payable, \$57.50; Office Furniture, \$345; Insurance unexpired, \$28.75.

INVENTORIES, SET III, NOV. 15, 19—

Mdse. on hand, \$1420.50; Furniture, \$46.25; Horse and Wagon, \$367.50; Insurance, paid in advance, \$16.15; Salaries due, \$55.41; Rent, paid in advance, \$45; Partners' Salaries for the half month, each, \$50.

INVENTORIES, SET IV, JAN. 14, 19—

Dress Goods, \$9450; Gloves and Hosiery, \$3000; Staples, \$4400; Furniture (allow $2\frac{1}{2}\%$ for depreciation), \$438.75; Insurance unexpired, \$67.50; Rent, paid in advance, \$150; Reserve for Bad Debts, \$50.24; Interest accrued on B. R., \$1.50.

INVENTORIES, SET V, MARCH 15, 19—

Tea, \$1863.15; Canned Goods, \$1351.90; Dried Fruits, \$392.20; Biscuits, \$618.45; Sugar, \$1107.20; Sundries, \$399.70; Total, \$5732.60; Travelling Expenses due, \$11.50; Rent, paid in advance, \$75; Insurance, paid in advance, \$59.37; Furniture, \$438.75; Salesmen's Salaries, \$15; Office Salaries, \$10; Coal, \$50.62; Reserve for Bad Debts, 1% on Accounts Receivable \$10.04.

INVENTORIES, SET VI, MAY 15, 19—

Material, Biscuit Dept., \$1100; Conf. Dept., \$650; Manufactured Goods, Biscuits Dept., \$2800; Conf. Dept., \$925; Boxes, etc., \$410; Depreciation of Plant, $\frac{1}{2}\%$; Insurance, $11\frac{1}{2}$ mo., paid in advance, \$86.25; Travelling Expenses accrued, \$5; Heat, Light, and Power accrued, \$90. The expenses are to be divided between the departments in the proportions given at the end of the set. No dividend is declared. The net profit is carried down as undivided profits.

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BOOKKEEPING

SINGLE ENTRY AND DOUBLE ENTRY

BOOKKEEPING is not merely a record of the transactions of a business, nor even a systematic record of such transactions, but it is a record of the transactions of a business for a definite purpose, and it is the purpose that determines the system of bookkeeping.

The science which deals with the construction of systems of bookkeeping is called accountancy.

In a business in which purchases are delivered without charge and are paid for in cash at the beginning of each month, and in which sales are for cash, the system of bookkeeping is reduced to a cash book. To this a Merchandise account may very readily be added, if desired, by totalling the invoices and the daily sales for the month.

A more complex business, in which the sales are made on credit as well as for cash, requires the addition of some method of recording the accounts with persons. There are several methods, now in use, of filing the counter checks, any one of which will serve the purpose of such a record.

When, however, the expense side of the business begins to assume large proportions, and the net profits for the year depend upon the expenses as well as upon the profits on sales, such a system of bookkeeping becomes necessary as will present a complete analysis of Profits and Losses as well as of Assets and Liabilities.

The essential difference between Double Entry and Single Entry bookkeeping is that the former does, while the latter does not, present this complete analysis.

A careful examination of the Financial Statements in the two systems will make this clear.

THE FINANCIAL STATEMENT—DOUBLE ENTRY

1. (a) From the following Trial Balance and Inventories make out a statement of Losses and Gains, a summary of the Capital Account, and a statement of Assets and Liabilities.

<i>Cash</i>	350.00
<i>Bank</i>	2750.00
<i>Bills Receivable</i>	1400.00
<i>William Davis</i>	275.00
<i>Merchandise</i>	5460.00
<i>Expense</i>	375.00
<i>Real Estate</i>	2450.00
<i>Interest and Discount</i>	20.00
<i>Bills Payable</i>	1150.00
<i>John Fraser</i>	1700.00
<i>James Leckie (Cap. Acct.)</i>	400.00
	6300.00
	13480.00
	13480.00

INVENTORIES

<i>Merchandise</i>	2120.00
<i>Real Estate</i>	2500.00
<i>Interest due on Bills Receivable</i>	12.00
" " <i>Bills Payable</i>	5.00
<i>Rent due by us and unpaid</i>	60.00

(b) Make a list of the items used in the statement of Assets and Liabilities, grouping them according to the books or other sources from which they were obtained.

(c) What accounts in the Trial Balance are not included in the list in (b) above? What class of Accounts is this?

(d) If the class of accounts mentioned in (c) were omitted, could you find the Gain or Loss? How?

2. H. Walker begins business Jan. 1, with Assets \$7560, and Liabilities \$700. He withdraws during the year \$450 and adds to his investment \$800. His gains for the year have been \$1260, and his losses \$680. Make out a summary of his Capital Account at Dec. 31, showing his present Net Capital.

3. Adam Smith begins business Jan. 1, with Assets \$8620 and Liabilities \$3260. During the year he adds to his investment \$1350, and withdraws for private use \$770. Dec. 31 his standing is as follows: Cash on hand, \$660; on deposit, \$2520; Goods on hand, \$3220; Notes on hand, \$170; Notes outstanding, \$225; Accounts due him, \$360; Accounts due by him, \$450; Interest due on Bills Payable, \$1.60; Rent due by us and unpaid, \$50; Insurance paid in advance, \$10.20. Find his Net Gain for the year. (Make out a statement of Assets and Liabilities, and the summary of the Capital Account.)

4. T. D. Jordan closes the year as follows: Cash on hand, \$375; on deposit, \$2400; Goods on hand, \$3360; Notes on hand, \$160; Accounts due him, \$460; Bills Payable outstanding, \$330, and interest due thereon, \$1.45; Salaries unpaid, \$60; Rent of store paid in advance, \$75. The Gains for the year have been \$2260 and the Losses \$1390. The proprietor withdrew during the year \$120. Find his Net Investment. (Make out statements of Assets and Liabilities, and a summary of the Capital Account.)

THE FINANCIAL STATEMENT—SINGLE ENTRY

1. You are appointed bookkeeper for a firm whose books have been kept by Single Entry, and you are furnished with the following data: Cash on hand, \$145.60; on deposit, \$1112.70; Personal Accounts due to the firm, \$1257.60; Personal Accounts due by the firm, \$927.40; Bills Receivable on hand, \$327.20; Bills Payable outstanding, \$246.70; Rent of the store for the past month, unpaid, \$75; Insurance paid in advance, \$20; Goods on hand, \$2296.40; Office Fixtures valued at \$175; Horse and Wagon valued at \$225; Interest due on Bills Receivable, \$1.75; Interest due on Bills Payable, \$1.10; C. Matthews (Cap. Acct.) Cr., \$2125.60; D. Roberts (Cap. Acct.) Cr., \$1736.75; C. Matthews (Private Acct.) Dr., \$175; D. Roberts (Private Acct.) Dr., \$122.50.

(a) If Gains and Losses are shared equally, make out (1) a statement of Assets and Liabilities; (2) a statement showing the Net Gain; (3) statements showing the Net Capital of each partner.

(b) Show the Capital Accounts and also the Private Accounts properly closed. *See page 12.*

(c) Give the entry or entries necessary to change the books from Single to Double Entry: (1) in complete form, showing the items checked as posted (using any paging); (2) in short form, showing the items checked as posted (any paging). *See page 11.*

DOUBLE ENTRY THEORY

The underlying principle of Double Entry bookkeeping is to be found in the dual nature of the transaction. Every transaction capable of being expressed in terms of the account consists of two parts, a value received and a value given. The former is referred to as the debit item of the transaction and is entered on the debit side of some account or accounts. The latter is referred to as the credit item of the transaction and is entered on the credit side of some account or accounts. Hence the Double Entry rule that for every debit there must be a credit of equal value.

Not only is every transaction recorded in full but also in the process of the work, each transaction is analysed into its essential parts. Thus, if it is a transaction resulting in an increase of capital for the business, as a sale for \$250 of goods which cost \$200, the sale eventually appears thus :

Cash	Dr	250
Mdse.	Cr.	200
Loss and Gain	Cr.	50

Every transaction resulting in a decrease is similarly analysed.

Hence in Double Entry bookkeeping there always appears a complete record of two groups of items ;

(a) Asset and Liability items.

(b) Loss and Gain items.

Results may therefore be found in two independent ways :

(a) Loss or Gain may be found

- i. By a summary of Losses and Gains.
- ii. By taking the difference between Net Credit and Present Capital.

(b) Present Capital may be found

- i. By a summary of present Assets and Liabilities.
- ii. By adding Gain to or subtracting Loss from Net Credit.

Three stages in the progress of ownership as shown on the books should be carefully studied.

STAGE I.	Connective.	STAGE II.	Connective.	STAGE III.
<i>Investment at beginning</i> - Assets—Lia. " "	+ Additions - Drawings	<i>Net Credit = Balance in Cap. Acct. at Trial Balance</i>	+ Gain - Loss	<i>Bal. of Capital Acct. after closing Assets—Lia. at closing.</i>

ADVANTAGES OF DOUBLE ENTRY

Double Entry bookkeeping has, therefore, some very distinct advantages.

1. The Double Entry record is complete. Every item entering into every transaction is recorded.
2. Since every transaction is entered on the debit side of some account and on the credit side of some other account, when the posting is completed the ledger must be in balance, thus giving a mathematical test of the accuracy of the work.
3. Since every item of profit or loss is recorded, it is possible to make a detailed analysis of the progress of the business, showing not only total gain or loss but also how such total is made up.
4. Results may be found in two ways, thus giving a second mathematical test of the accuracy of the work.
5. The double mathematical test of accuracy greatly lessens the probability of loss by fraud or error.

SINGLE ENTRY THEORY

Single Entry recognizes only the personal aspect of transactions. Hence, in this system the Ledger contains only personal accounts.

A statement of Assets and Liabilities can be prepared, but it will be done by counting and listing actual items, as Cash on hand, Goods in stock, Notes on hand, etc., personal accounts only being obtained from the Ledger.

Results can be found in only one way—

- (a) Present Capital by a statement of Assets and Liabilities.
- (b) Loss or gain in total only, by taking the difference between Present Capital and Net Credit as shown in the Ownership account.

Mathematical tests of accuracy are not possible.

USES OF SINGLE ENTRY

None the less there is a place for Single Entry in small retail stores where there is no list of expenses to classify and where there are few returns, rebates, or discounts of which to keep trace.

Indeed many are now seeking out a way of avoiding account-keeping as far as possible, or of making

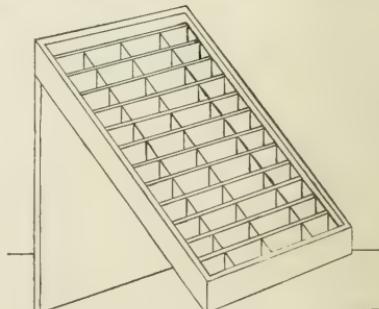
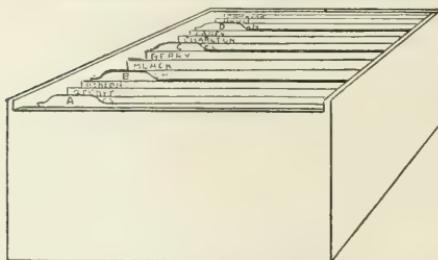
one writing serve the double purpose of an original record of the transaction and a record of the customer's account.

One such method consists in furnishing a box or tray with folders on which customers' names are written. These are placed in the tray in alphabetical order, and the duplicates of all counter checks to each customer are placed in the folder bearing his name. The total of the counter checks is the amount he owes at any time.

A similar method is that known as the McCaskey system. This consists of a number of light metal plates provided with spring clips so arranged as to allow of a counter check being placed under each. The plates are arranged in vertical position and may be drawn down exposing the counter checks and when no longer required are raised up and by the force of gravity are made to drop back into position. The last counter check is always on top. Previous counter checks are totalled, and the amount is brought forward so that the last counter check always shows the amount of the account to date.

A third method consists of a rack arranged for holding counter check books. A separate book is assigned to each credit customer. The name and address are written on the outside, and the books are placed in the rack in alphabetical order and with the names visible. The total of previous sales is brought forward to the top of the last counter check so that, as in the previous illustration, the last counter check shows the amount of the account to date.

While in strict theory Single Entry records the personal aspect of transactions only, in practice some record of cash is also kept. The Cash Register, now in such



general use serves to record and total separately cash sales and cash received on account, as also cash paid. The totals may be entered through a cash book daily. By depositing cash daily and making all payments by cheque a close check on cash is maintained.

If drafts or notes are used a memorandum of these will serve the purpose of a bill book, or a formal bill book may be used.

For forms of books and entries see *Ontario School Bookkeeping First Course* pages 110-116, also below.

Forms of opening entries and entries to change from Single to Double entry are also given on the following pages.

For steps in changing from Single to Double Entry see *First Course* page 115, for form of entry see page 11 following.

Rules for making the entries.—

Short Form: Debit all impersonal asset accounts and credit all impersonal liability accounts as shown in the Single Entry Statement of Assets and Liabilities.

Complete Form : Debit *all* Asset accounts, credit *all* Liability accounts as shown by the Single Entry Statement, and credit the Proprietor's account for the difference between Assets and Liabilities ; then check out all personal accounts since they are already in the ledger.

Sales Book.

KINGSTON, October 3, 19—

Purchase Book:

MERCHANDISE PURCHASES

OPENING A SET OF BOOKS—SINGLE ENTRY

1. Single Proprietor.

KINGSTON, Sep. 1, 19—

B. S. Milne this day begins the Retail Hardware Business at 99 Princess St., investing as follows:—

		ASSETS			
1	B. S. Milne	Cr.			
	Cash on hand		150		4607
	Cash on deposit		25		40
	Merchandise on hand		757	20	
	Real Estate, Store and Lot		3000		
	Notes Receivable, Nos. 1, 2		200		
	W. J. Gibson, balance due		75	20	
	J. B. Armstrong "		110		
		LIABILITIES			
2	B. S. Milne	Dr.			
	Bills Payable, Nos. 1, 2		330	20	390
	F. Forbes & Co., balance due		60		20
3	W. J. Gibson	Dr.			
	Balance of account				75
4	J. B. Armstrong	Dr.			
	Balance of account				110
5	F. Forbes & Co.	Cr.			
	Balance of account				60

2. Partners continuing.

KITCHENER, Oct. 1, 19—

The firm of Kemp and Forbes carry on a Retail Clothing Business at 166 King St. Their standing is as follows:—

		Cr.	Or.		
1	R. D. Kemp				3370
2	J. S. Forbes				2060
		ASSETS			
	Cash on hand and in Bank		1319	55	
	Merchandise, "		1850	55	
	Office Furniture		350		
	Real Estate, Store and Lot		6000		
	Bills Receivable, No. 1		17	20	
	Accts Receivable, as per Statement		107	80	9703
		LIABILITIES			
	Bills Payable, No. 1		225	10	
	Account's Payable, as per statement		99	20	
	Mortgage Payable		4000		
	Int. accrued on Mort. Payable		50		4374
					30

NOTE.—The Ledger accounts may be opened from the statements of Accounts Receivable and Accounts Payable.

CHANGING BOOKS FROM SINGLE TO DOUBLE ENTRY

1. Short Form.

COLLINGWOOD, April 1, 19—

J. Adams and W. Mason have this day changed books from Single to Double Entry and continue business at 77 Hurontario St.

C.	25	Cash	-	-	-	-	-	1975			
	76	Mdse.	-	-	-	-	-	4500			
	77	Office Furniture	-	-	-	-	-	350			
	78	Insurance	-	-	-	-	-	10	75		
	79	Bills Receivable	-	-	-	-	-	460			
		"									
	80	Bills Payable	-	-	-	-	-			365	
	81	Interest accrued	-	-	-	-	-			2	20
	82	Salaries	-	-	-	-	-				25
		Impersonal accounts as per Single Entry Statement.									

2. Complete Form.

COLLINGWOOD, April 1, 19—

J. Adams and W. Mason have this day changed books from Single to Double Entry and continue business at 77 Hurontario St. with the following standing:—

ASSETS											
C.	25	Cash	-	-	-	-	-	1975			
	76	Mdse.	-	-	-	-	-	4500			
	77	Office Furniture	-	-	-	-	-	350			
	78	Insurance	-	-	-	-	-	10	75		
	79	Bills Receivable	-	-	-	-	-	369			
	84	Accounts Receivable, as per Statement	-	-	-	-	-	557	60		
LIABILITIES											
	84	Accounts Payable	-	-	-	-	-			400	
	80	Bills Payable	-	-	-	-	-			365	
	81	Interest accrued	-	-	-	-	-			2	20
	82	Salaries	-	-	-	-	-			25	
	84	J. Adams, Net Capital	-	-	-	-	-			116	69
	84	W. Mason, Net Capital	-	-	-	-	-			2584	46

NOTE.—The above form may also be used when opening a set of books by Double Entry or when continuing by Double Entry.

CLOSING PARTNERSHIP ACCOUNTS

It is customary to keep a Private Account in the Ledger for each partner, in addition to his Capital Account. In closing the books, these accounts may be dealt with as follows:

- (a) The Private Account may be closed to the Capital Account before the Trial Balance is taken.
- (b) The Loss and Gain Account may be closed to the Private Account, and the Private Account then closed to the Capital Account.
- (c) The Loss and Gain Account may be closed to the Private Account, and the balance may be brought down in the Private Account, the Capital Account remaining the same from year to year.

The first of these methods assumes that the withdrawals are withdrawals of capital. The second method assumes that the withdrawals are withdrawals of profits, and that the remaining profits are added to the capital. The third method regards the profits not withdrawn as a liability to the partners, but not as a part of their capital to be taken into consideration in apportioning future gains or losses.

The second method is usually the most satisfactory and it will be generally followed in this book.

Where the sharing of profits depends upon capital invested, the third method gives a result more in keeping with the Partnership Act. It should be noted however that if undrawn profits are, with the consent of the partners added to capital, the new capital as found becomes the basis of the agreement for the division of profits.

PROPRIETOR'S CAPITAL AND PRIVATE ACCOUNTS CLOSED

Dr.		A. MALCOLM, PRIVATE ACCOUNT					Cr. (?)			
Jan.	31	C.	—	660	Jan.	31	Interest per Agmt.	—	14	53
					"	31	Salary	"	100	
					"	31	$\frac{1}{2}$ Net Gain	"	298	09
					"	31	Balance to Capital Acct.	—	247	38
									660	
				660						

DIVISION OF PROFITS BETWEEN PARTNERS

Partners may agree concerning the mode of dividing their profits and losses, and such agreement would be binding upon them as between themselves.

Profits are frequently divided.

1. In some fixed proportion as one-half to each, or in proportion to capital invested.
2. By allowing each a salary and then dividing the remainder as in (1) above.

3. By allowing each partner interest on his capital, and then dividing the remainder as in 1 above.
4. By some combination of the methods mentioned above.

EXAMPLE: *A* and *B* are partners. *A*'s investment is \$6000, *B*'s \$1500. By agreement each is to receive interest at 4 per cent. per annum on capital, *B* is to receive a salary of \$500, and the remaining gain or loss is to be divided equally. The net profits before salary or interest are provided for are \$600. Find the present capital of each.

<i>Solution:</i> Net profits for the year.....	\$600	||	.. Net Loss to divide = 200
<i>A</i> 's interest 4% on \$6000 = \$240			Each $\frac{1}{2}$ - 100
<i>B</i> 's " 4% " 1500 = 60	60	||	<i>A</i> 's Net Capital = \$6000 + 240 - 100 = \$6140
<i>B</i> 's salary	<u>500</u>	||	<i>B</i> 's " " = 1500 + 60 + 500 - 100 = \$1960

EXERCISES

1. A. Wallace and R. Lincoln are partners, sharing gains and losses: Wallace, $\frac{2}{3}$; Lincoln, $\frac{1}{3}$. Their Accounts stand as follows: A. Wallace (Cap. Acct.) Cr., \$3265.70; (Private Acct.) Dr., \$220.10. R. Lincoln (Cap. Acct.) Cr., \$2346.20; (Private Acct.) Dr., \$127.20. Mdse. purchases have been \$2465.60; Mdse. sales, \$1786.20; Mdse. on hand at beginning of year, \$920.20; Mdse. on hand at close of year, \$2263.70. Mdse. Discount Acct., Dr., \$125.60; Cr., \$186.20; Interest and Discount Acct., Dr., \$12.60; Cr., \$9.40. Interest due on Bills Receivable is \$1.45; on Bills Payable, \$1.70. Expenses paid, \$160. Rent of Store unpaid, \$75. Horse and Wagon cost \$250, now worth \$225. Freight cost \$25.

- (a) Make out a Statement of Losses and Gains.
- (b) Show the Capital and Private Accounts of the partners properly closed.

2. A. Malcolm and G. Logan enter into partnership under the following agreement: Each is to receive interest at 4 per cent. per annum on capital, as shown in his Capital Account, and a salary of \$100 a month is to be paid to Malcolm; the remaining gain or loss is to be shared equally. At the end of one month their accounts stand as follows: A. Malcolm (Cap. Acct.) Cr., \$4360; (Private Acct.) Dr., \$660. G. Logan (Cap. Acct.) Cr., \$2790; (Private Acct.) Dr., \$540. The gain before interest and salary are deducted is \$720.

Show the Private Accounts and the Capital Accounts properly closed.

3. T. Brown and J. Miller are partners. Brown invested \$5600, and Miller \$4800. Brown has drawn \$240, and is entitled by agreement to interest at 4 per cent. per annum on Capital and a salary of \$300 per annum. Miller has drawn \$160, and is entitled to interest at 4 per cent. per annum on Capital and a salary of \$200 per annum. They share net gain or loss equally. At the end of the year the loss, before salaries and interest are provided for, is \$375.

Show the Private Accounts and the Capital Accounts properly closed.

4. William Roberts and Frank Smith have this day entered into a partnership agreement to carry on a General Store Business at 295 Queen St. Their standing is as follows: William Roberts—Assets, Cash, \$424.60; Stock of Goods, \$2360; R. Walker owes him on account, \$175.20; Notes on hand, \$366.50; Interest due on these notes, \$2.25; Lease of Store for one year at \$120 a month, one month of which is paid in advance; Insurance also paid in advance, \$10.50; Shop Furniture which cost \$175, present value, \$150. Liabilities, Notes outstanding, \$336.60; Interest due on these notes, \$3.45; Due T. James on acct., \$156.40. Frank Smith—Assets, Cash, \$2200. Liabilities, Note favour Geo. Pearson, \$122.75, with interest due on the same, \$1.35.

Make the opening Journal entry or entries for the above and show each item properly checked for posting. Use any paging. (a) The books are to be kept by Single Entry. (b) The books are to be kept by Double Entry.

SET I—SINGLE ENTRY AND DOUBLE ENTRY

RETAIL HARDWARE

INSTRUCTIONS FOR PART I. SINGLE ENTRY

(a) **BOOKS TO BE USED.**—Journal, Sales Book or Counter Check Book, Cash Book (single or double page as desired), Bill Book, and Ledger.

(b) Posting is to be done from the Journal and the Sales Book to the personal accounts in the Ledger. No Bank account is to be kept in the Ledger. All cash, on hand and in the Bank, is to be shown in the Cash Book, which is to be used as an Auxiliary Book.

DIRECTORY

<i>Adams, John, 97 Union St.</i>	||	<i>Laurie, E., Sydenham.</i>
<i>Armstrong, J. B., 233 Brock St.</i>	||	<i>McKinnon, D., Montreal.</i>
<i>Forbes, F. & Co., Toronto.</i>	||	<i>Richardson, R., 65 Earl St.</i>
<i>Gibson, W. J., 120 Division St.</i>	||	<i>Stephenson, J., Gananoque.</i>
<i>Goodwin, G. 199 University Ave.</i>	||	<i>Taylor, R., Camden East.</i>
<i>Lane, C. & Co., Montreal.</i>	||	<i>Thorne, W., Wilton.</i>

LEDGER LINES

Open accounts in the following order: J. Adams, W. J. Gibson, E. Laurie, R. Richardson, J. Stephenson, R. Taylor, J. B. Armstrong, giving one-third of a page to each. On the fourth page, F. Forbes & Co., C. Lane & Co., D. McKinnon, B. S. Milne's Capital Account.

MEMORANDA OF TRANSACTIONS

Kingston, Sept. 1, 19—. B. S. Milne this day commences the Retail Hardware Business at 99 Princess St., investing as follows:

Assets: Cash on hand, \$150, on deposit in the Scholastic Bank, \$275; Mdse. on hand, \$797.20. Store and Lot valued at \$3000; Note made by W. Thorne, Wilton, Aug. 1, at 1 mo., favour B. S. Milne, for \$75; Draft drawn by R. Taylor, Camden East, on H. Winters, Kingston, at 30 da. from Aug. 3, in his own favour and endorsed in full to B. S. Milne, face of draft \$125, accepted Aug. 5; balance due from W. J. Gibson, \$75.20, from J. B. Armstrong, \$110.

Liabilities: Note made by B. S. Milne, Aug. 11, at 30 da., favour C. Lane & Co., Montreal, for \$210.20; Draft drawn at 10 da. from Aug. 25 by D. McKinnon, Montreal, in his own favour, for \$120, accepted by B. S. Milne, Aug. 27, payable at the Scholastic Bank, Kingston; balance due F. Forbes & Co., Toronto, \$60.

Engaged Student as bookkeeper at \$10 a week and George Lang as clerk at \$8.50 a week.

2. Sold W. J. Gibson on acct., 3 Chisels @ 40c.; 6 Auger Bits, assorted sizes, @ 15c.; 1 Hammer @ 65c.; 6 Mortise Locks @ \$5.85 a doz.; 2 Adjustable Iron Planes @ \$2.25.

Sold W. Thorne on his note at 30 da., 12 Wrenches @ 40c.; 1 Grocer's Scales @ \$3.75; 15 Shovels @ \$1; 18 Hay Forks @ 80c. The note is received in payment. Do not open an account for him. Drew on J. B. Armstrong in my favour at 5 da. from Sept. 1, for the balance of his account, and had the draft accepted. Close out his account and do not re-open it.

Paid for Stamps and Stationery in cash, \$4.50.

3. Bought from F. Forbes & Co., an invoice of Mdse., Sept. 1, $2\frac{1}{10}, \frac{1}{30}$, \$199.30.
 Sold to John Adams on acct., 2 Nickel Plated Braces @ 65c. : 4 Door Bells @ \$7.50 a doz. : 1 set Knives and Forks @ \$3.25.
 Sold R. Taylor, 30 da., 3 Granite Kettles @ 75c. : 1 set Knives and Forks @ \$3.25 : 2 Nickel Plated Braces @ 65c. ; 12 Auger Bits, assorted, @ 15c.
 Sold E. Laurie, cash for one-half, balance on acct., 6 Wrenches @ 40c. : 1 Grocer's Scales @ \$3.75. 12 Shovels @ \$1.00 : 4 Brass Rules @ \$7.10 a doz. Received cash in part payment \$10.26.
 Remitted F. Forbes & Co., a cheque in settlement of their acct. to Sept. 1.
 Cash Sales for the week, \$175.
 Pay salaries for the week in cash, bookkeeper, \$5, clerk, \$4.25.
 Deposit all cash and cheques on hand but \$100. No exchange on local cheques. Exchange on out-of-town cheques $\frac{1}{2}\%$, but not less than 10 cents on any cheque.
 Post up to date. Close the Cash Book.

6. Received from W. Thorne, cash in payment of his note due to-day.
 W. Gibson settled his acct. to Sept. 1 by cheque.
 H. Winters paid his acceptance due to-day by cheque.
 Bought from C. Lane & Co. an invoice of Mdse., Sept. 3, $2\frac{1}{10}, \frac{1}{30}$, \$351.75.
 Sold to G. Goodwin for cash, 6 Door Knobs @ \$1.20 a doz. : 1 Axe @ \$1.10 : 1 Granite Kettle @ 75c. ; 1 Nickel Plated Brace @ 65c. ; $\frac{1}{2}$ doz. Auger Bits @ 15c. ea.

NOTE.—This sale is included in the cash sales at the end of the week. Do not enter it through the personal acct.

Sold to John Adams on acct., 2 Axes @ \$1.10 : 3 Nickel Plated Braces @ 65c. : 18 Auger Bits @ 15c. ; 15 Chisels @ 40c.
 Sold to R. Richardson on acct., 2 doz. Shovels @ \$1 ea. : 3 Adjustable Iron Planes @ \$2.55 ; 6 kegs Wire Nails @ \$3 ; 3 doz. Mortise Locks @ \$5.85 ; 1 doz. Hammers @ 65c. ea.
 Paid by cheque, premium of insurance on stock, etc., in the Dominion Insurance Co., \$15.50.

7. Paid by cheque, our acceptance favour D. McKinnon due to-day.
 Sold to J. Stephenson on acct., 4 kegs Wire Nails @ \$3 ; 12 Hay Forks @ 80c. : 3 Axes @ \$1.10 ; 1 Grocer's Scales @ \$3.75.
 Sold to E. Laurie, cash for one-half, balance on acct., 3 kegs Wire Nails at \$3 : 12 Hammers @ 65c. ; 4 Nickel Plated Braces @ 65c. ; 24 Auger Bits @ 15c.
 Deposited in the bank H. Winter's cheque, \$125.

8. Received from J. B. Armstrong, cheque in payment of his acceptance due to-morrow.
 Sold to J. B. Armstrong for cash, 1 doz. Mortise Locks @ \$5.85 ; 3 kegs Wire Nails @ \$3 ; 5 Adjustable Iron Planes @ \$2.25 ; 4 Brass-bound Rules @ \$7.10 a doz.

NOTE.—A few only of the cash sales are given. They would be listed separately from the charge sales and entered in one entry at the end of the day or week.

Sold to R. Taylor for his note at 10 da., 1 set Knives and Forks at \$3.25 ; 5 Granite Kettles @ 75c. ; 1 Grocer's Scales @ \$3.75 ; 3 Wrenches @ 40c. ; 4 Shovels @ \$1. This note is received in payment. Put this and all other sales to Taylor through his personal acct.

Bought from F. Forbes & Co., an invoice of Mdse., Sept. 7, $2\frac{1}{10}, \frac{1}{30}$, \$375.50.
 Deposit Armstrong's cheque received to-day.

9. Paid R. Wilson by cheque, for repairs to the store, \$15.75.
 J. B. Armstrong returns $\frac{1}{2}$ doz. of the Locks sold to him yesterday, and we give him the cash. Discounted at the bank at 7%, W. Thorne's note of Sept. 2. Proceeds credited.

Sold to W. J. Gibson on acct., 4 doz. Door Knobs @ \$1.20; 6 Door Bells @ \$7.50 a doz; 9 Hammers @ 65c.; 15 Mortise Locks @ \$5.85 a doz.; 4 kegs Wire Nails @ \$3.

Sold to W. Thorne on his note at 30 da., 18 Shovels at \$1; 15 Hay Forks @ 80c.; 12 Wrenches @ 40c.; 1 doz. Brass-bound Rules @ \$7.10; 10 Adjustable Iron Planes @ \$2.55. Received his note in payment.

10. Paid by cheque, F. Forbes & Co.'s invoice of Sept. 1, less discount.
 Received from J. Adams, cash in full of his account to date.
 Received from E. Laurie, cash on acct., \$20.
 Bought from D. McKinnon an invoice of Mdse., Sept. 7, $\frac{2}{10}, \frac{1}{30}$, \$167.60.
 Sold to R. Richardson on acct., 12 Hay Forks at 80c.; 2 sets Knives and Forks @ \$3.25; 5 Granite Kettles @ 75c.; 3 Wrenches @ 40c.
 Paid salaries for the week by cheque.
 Paid in cash Light bills for the month, as follows: Store, \$5.25; Private Residence, \$1.75.
 Cash Sales for the week, \$353.47.
 Deposited in the bank, cash \$300.
 Post up to date. Close the Cash Book.

12. Sold to J. B. Armstrong for cash—included in the Cash Sales—3 Axes @ \$1.10; 15 Chisels @ 40c.; 7 Hammers @ 65c.; 18 Mortise Locks @ \$5.85 a doz.
 Remitted to C. Lane & Co., a bank draft purchased by cheque, exchange $\frac{1}{2}\%$, for bill of Sept. 3, less discount.

13. Paid by cheque, my note favour C. Lane & Co. due to-day.
 Bought from C. Lane & Co. an invoice of Mdse., Sept. 10, $\frac{2}{10}, \frac{1}{30}$, \$421.30.
 Received from R. Richardson, cash on acct., \$82.50.
 Sold to W. Harper, 310 Johnston St., for cash—included in the Cash Sales— $\frac{1}{2}$ doz. Axes @ \$1.10 ea.; $\frac{2}{3}$ doz. Auger Bits @ 15c. ea.; $1\frac{1}{4}$ doz. Chisels @ 40c. ea.; 4 kegs Wire Nails @ \$3.
 Sold to J. Stephenson on acct., 9 Wrenches @ 40c.; $1\frac{1}{4}$ doz. Brass-bound Rules @ \$7.10; 4 doz. Door Knobs @ \$1.20; $1\frac{1}{2}$ doz. Door Bells @ \$7.50.

14. Received from R. Taylor, cash on acct., \$8.60.
 Paid H. Strong by cheque for painting private residence, \$25.
 Withdrew for private use by cheque, \$30.
 Sold to E. Laurie on acct., 6 Axes @ \$1.10; $1\frac{1}{2}$ doz. Chisels @ 40c. ea.; 5 Hammers @ 65c.; $2\frac{1}{2}$ doz. Mortise Locks @ \$5.85; 9 Shovels @ \$1.
 Sold to W. J. Gibson on acct., 8 Hammers @ 65c.; 15 Granite Kettles @ 75c.; 10 Hay Forks @ 80c.; $1\frac{1}{2}$ doz. Chisels @ 40c. ea.
 Sold to J. B. Armstrong for his note at 10 da., 9 Shovels @ \$1; 5 Adjustable Iron Planes @ \$2.55; 18 Mortise Locks @ \$5.85 a doz.; 3 kegs Wire Nails @ \$3; 6 sets Knives and Forks @ \$3.25.
 Received his note in payment.

15. Received from D. McKinnon a credit note for an overcharge of 50c. a keg on 40 kegs Wire Nails in the invoice received Sept. 10. Deduct this allowance and pay the invoice, less discount, with a bank draft purchased by cheque, exchange $\frac{1}{2}\%$.
 Sold to John Adams on acct., 1 Grocer's Scales @ \$3.75; 9 Brass-bound Rules @ \$7.10 a doz.; 6 Adjustable Iron Planes @ \$2.55.
 Sold to R. Richardson on acct., $2\frac{1}{2}$ doz. Auger Bits @ 15c. ea.; 8 Nickel Plated Braces @ 65c.; $1\frac{1}{2}$ doz. Chisels @ 40c. ea.; 3 doz. Door Knobs @ \$1.20; 8 Door Bells @ \$7.50 a doz.; 7 Hammers @ 65c.

Sold to R. Taylor, note at 20 da. for one-half, balance on acct., $1\frac{1}{2}$ doz. Wrenches @ 40c. ea.; $1\frac{1}{2}$ doz. Shovels @ \$1.00 ea.; $1\frac{1}{2}$ doz. Brass-bound Rules @ \$7.10; $2\frac{1}{2}$ doz. Adjustable Iron Planes @ \$2.55 ea.; 7 kegs Wire Nails @ \$3; $2\frac{1}{2}$ doz. Mortise Locks @ \$5.85 a doz. Received his note at 20 da. for \$74.16 in part payment.

Cash Sales for the week, \$321.95.

Deposit all the cash and checks on hand but \$50. Close the Cash Book but do not bring down the balance.

Post. Make out the Financial Statements. Close the Books. Do not bring down the balance in the Capital Account. Carry it forward to a new Capital Account for B. S. Milne.

THE FOLLOWING ARE THE INVENTORIES

Merchandise on hand	\$1100.00	Insurance unexpired	\$ 14.85
Real Estate, Store, and Lot	3000.00	Salaries unpaid	
Results: Net Capital, \$4487.51.		Net Gain, \$117.06.	

FORWARDING AND TRANSFERRING LEDGER ACCOUNTS

The bound ledger has, for almost all purposes, been replaced by a more convenient form.

(a) Ledger leaves, ruled to suit the particular purpose, are placed together in a binder which may be kept locked except when accounts are being added or withdrawn.—The "Loose Leaf" Ledger.

(b) Ledger leaves are placed together in a tray, the cover of which may be removed when the ledger is in use and kept locked at all other times.—The "Tray" Ledger.

(c) Ledger cards are placed in a filing position in a drawer which is kept locked except when the ledger is in use. The "Card" Ledger.

Ledgers, whether "Loose Leaf," "Tray," or "Card" usually contain only active accounts. As soon as an account ceases to be active it is removed to a transfer ledger.

(a) Both sides of Ledger leaves are used, and a separate leaf is assigned to each account. When a page is filled the balance is carried forward to the top of the next page, thus: Sept. 30 Forward, \$325.90.

(b) When both sides are filled, the sheet is removed to the transfer ledger, and the balance is carried forward to sheet No. 2, which then takes the place of sheet No. 1 in the current ledger. Entry for transfer: Sept. 30 Forward to Sheet No. 2, \$220.60.

(c) When a debtor or creditor sells out and his successor takes over the personal accounts of the business he has purchased, it is better to close out the old account and transfer the balance to a new one. The heading of the old account should be changed thus: J. H. Green (succeeded by T. Hamilton), and the balance should be forwarded: Sept. 28 Balance to T. Hamilton's acct., \$54.00.

The new account should be opened: T. Hamilton (successor to J. H. Green) and the balance brought forward: Sept. 28 Balance from J. H. Green's acct., \$54.00.

(d) Accounts showing Loss or Gain should be forwarded by totals. They are required as a basis for percentage calculation.

(e) A cash book with special columns should be forwarded from page to page by totals till totals are posted. The book then should be balanced and balances brought down.

EXERCISE ON CASH BOOK WITH SPECIAL COLUMNS

Rule a Cash Book with special columns on the Dr. side for Mdse. and Discount off Purchases, and on the Cr. side for Expense and Discount off Sales, and enter the following transactions. No Bank account is kept in the Ledger, and all money on hand and on deposit is regarded as cash.

Sept. 1. A. B. Jardine continues business with cash on hand \$75, and in the Bank of Montreal \$2750.

2. Bought from H. Davis, Mdse. \$750. Gave my cheque in payment.

Sold to G. Tilden for cash, Mdse. \$160. Paid rent for Sept. by cheque, \$75.

Cash Sales, \$25. Paid by cheque my note favour R. Walker. Face of note \$220, interest \$4.

Paid the Light Bill for Aug. in cash, \$4.60.

3. Remitted R. Gardner on account, a cheque for \$210. Discount already deducted, \$7.50.

Received from D. Clark, cash on account \$120. Discount already deducted, \$4.50.

C. Gurney paid his note, No. 1, due to-day, by cheque. Face of note \$95, interest \$2.

Paid for a bill of Stationery in cash, \$12.60. Cash Sales, \$75.

(Continued on Page 199)

CASH										CASH																					
Dr.					Cr.					Dr.					Cr.																
Date	Acct.	Cr.	Remarks	Gen.	Misce.	Disc.	off	Purch.	Bills	Rec.	Int.	and	Disc.	Date	Acct.	Cr.	Remarks	Gen.	Misce.	Disc.	off	Purch.	Bills	Rec.	Int.	and	Disc.	Date	Acct.	Cr.	Remarks
1/12 -																															
					</																										

Above is an illustration of a Cash Book with Special Columns. It is presented chiefly to illustrate the use of this device in a system of accounts.

There are two fundamental processes in bookkeeping, *classification and collection*. It is the function of the Journal to provide for the former and of

It would be impossible in any large business to deal fully with each item separately. The work may be shortened by grouping the items at the time of classification, thus performing the two processes at the same time.

already the principle of *Special Books* has been applied to the *Journal*, thus, —

General Journal—
Bill Journal—
Bill, " Bills.

We now proceed to apply the principle of *Special Columns* to each of those books. A glance at the Cash Book above will enable one to see what we intend to do.

(Continued from Page 15.)

Deposit all cash and cheques on hand but \$20. exchange 20c.

Close the Cash book, showing all check marks for posting, including totals, and bring down the balance. Balance \$2025.60.

4. Paid L. Jones by cheque for bill of the 1st, \$650, less discount 4%.

Paid by cheque my note, No. 1, favour A. Robinson, due to day, face of note, \$175; interest, \$2.20. Discounted at the Bank, D. Brown's note in my favour for \$270. Discount, \$4.60; proceeds deposited.

Received from H. Mason, his cheque for bill of Sept. 2, \$175.20, less discount 5%.

Cash Sales, \$33.60.

5. Bought from J. Burton for my cheque, a horse and delivery wagon, \$195.

Sent J. Coulter my cheque in full for bill of Aug. 31, \$260, less 3% discount.

E. Barber paid by cheque for his purchase of the 2nd, \$320, less 2%.

Sold D. Horton for cash, Mdse. \$26.90.

Prepaid by cheque my note, No. 2, favour H. Riddell, face of note, \$160; discount, \$2.80.

Cash Sales, \$38.20.

Deposited all cheques and all cash on hand but \$25. Exchange 65 cents.

Close the book and bring down the balance. Balance \$1463.49.

Show all check marks for posting, including those for totals and for balance brought down.

THE MERCHANDISE ACCOUNT

Like all Loss and Gain accounts, the Merchandise account shows on the debit side the cost, on the credit side the proceeds, and the difference shows loss or gain.

When the goods are not all sold, the gain or loss may be found in either of the following ways: (a) The inventory may be added to the proceeds and the difference taken; (b) The inventory may be subtracted from the cost, and the difference will then be found to be the same as in (a).

The first method is the one commonly used in the Merchandise account, because it is more convenient to add the inventory to the credit side in the account than it would be to subtract it from the debit side.

The second method is the more logical of the two, for it first finds the cost of the goods sold and then finds the gain on this cost. This method has the further advantage that if the percentage of gain is required, it presents the necessary data upon which the calculation may be made.

But further, it frequently happens that discounts or rebates are allowed or goods are returned, and if these transactions are entered in the Merchandise account the rebates and discounts off sales are entered on the debit side and added to the cost, while rebates and discounts off purchases are entered on the credit side and added to the sales; so that the totals of the account do not show either the actual cost or the actual proceeds, much less the cost of the goods sold. Even if separate accounts are kept for discounts and rebates, and these accounts are closed into the Merchandise account, the same result is presented.

It is therefore necessary to make a rearrangement of the Merchandise account so as to show the facts of the business. This rearrangement consists in a division of the account into three parts, Merchandise Purchases, Merchandise Sales, and Merchandise Inventory (or Merchandise Trading).

Thus arranged, the Merchandise account in the Ledger would take the following form, and together with Freight account and Merchandise Discount accounts, would be closed as shown. The Freight and Merchandise Discounts may be posted in totals from special columns in the Cash Book directly to these accounts, or they may be posted to separate accounts, which would then be closed to the Merchandise account.

BOOKKEEPING

FREIGHT

(page) 10

19—							19—					
Jan.	31	-	-	-	-	-	C	16	337	50		
Feb.	28	-	-	-	-	-	C	27	315	40		
Mar.	31	-	-	-	-	-	C	40	347	10		
									1000			

DISCOUNT OFF PURCHASES

(page) 11

19—							19—						
*Mar.	31	Mdse. Pur.	-	-	-	-	L	13	3000		C	16	1050
									3000		C	27	1100
										C	40	850	
												3000	

DISCOUNT OFF SALES

(page) 12

19—							19—					
Jan.	31	-	-	-	-	-	C	16	325			
Feb.	28	-	-	-	-	-	C	27	350			
Mar.	31	-	-	-	-	-	C	40	325			
									1000			

MERCHANTS PURCHASES

(page) 13

19—							19—						
Jan.	31	-	-	-	-	-	P	20	14500		R	6	750
Feb.	28	-	-	-	-	-	P	35	17000		R	9	800
Mar.	31	-	-	-	-	-	P	48	14500		R	11	450
"	31	Freight	-	-	-	-	L	10	1000			11	3000
									47000				

MERCHANTS INVENTORY

(page) 14

19—							19—						
Jan.	1	Inventory	-	-	-	-	L	13	60000		Mnr.	31	
Mar.	31	Net Purchases	-	-	-	-	L	13	42000		Mnr.	31	
									102000				

MERCHANTS SALES

(page) 15

19—		19—		19—	
Jan.	31	R.	3	220	
Feb.	28	R.	8	340	
Mar.	31	R.	13	340	
..	31	Discounts	12	1000	
..	31	Net Sales	15	18000	
		18000			
Mar.	31	Cost of Goods Sold	L.	14	52000
..	31	Gross Profits	L.		6000
		58000			
		58000			

Accountants vary as to their method of treating Cash Discount or Mdse. Discount.

1. Some regard the discount term as an optional price on the goods. Regarded in this way it should be treated as in the preceding exercise, namely, as a deduction from the purchases and sales.

2. Others regard the offer and acceptance of discounts as a matter of financing the business. Whether discounts offered on purchases are taken or not will depend on whether the best use is being made of available funds. Whether discounts on sales are taken will depend on the care exercised in offering discounts and extending credit.

Regarded in this way the discount accounts become a very effective check on the efficiency of management as to financial matters, and the accounts should be closed to Profit and Loss account and should appear in the statement with the expenses of management. See page 49.

3. Many, perhaps most, of our Chartered Accountants accept a third view, namely that the taking of discounts depends not on the efficiency of management but on the amount of available capital. They therefore treat it as they do interest and discount, apart from the operating profit. See page 136.

THE STATEMENT OF LOSSES AND GAINS

The accounts showing Loss or Gain in any business may be divided into two groups: (a) those representing the gains by trading, and (b) those representing the cost of carrying on the trading. The net profits of the business may be increased either by an increase in the profits of trading, or by a decrease in the expense of carrying on the business, and it is important that the Statement of Losses and Gains should present clearly these facts and their relation to each other. Hence this statement is usually divided into two parts, the first showing the gain on trading, called the Gross Profits, and the second showing the cost of carrying on the business, which is then deducted from the Gross Profits brought forward from the first division of the Statement, and shows the net profits on the business.

In their simplest form these two groups of accounts are represented by Mdse. Acct. and Expense Acct.; the large number of accounts entering into the longer Statements of Losses and Gains are, in the main, subdivisions of these two accounts.

The net sales are frequently spoken of as the "turnover" or as the "volume of business done," and both the profit on trading and the expense of carrying on the business are usually expressed in terms of this amount. The rate per cent. of profit obtained in this way would be very misleading if it were to be used in fixing the marked prices of goods, for then the advance must be made upon cost. But the net sales do form a very useful basis of calculation from the point of view of income, for of the income derived from sales, part is used to replace stock that has been sold, another part is used to pay the expenses of carrying on the business, and the remainder constitutes the net profit for the period.

With the division just indicated the Statement of Losses and Gains would take the following form:

TRADING STATEMENT, T. R. WOOD, MAR. 31, 19—

	<i>Sales</i>						600000
	<i>Less Rebates</i>					1000	
	<i>Less Discounts</i>					1000	2000
100%	<i>Net Sales</i>						580000
	<i>Purchases</i>					46000	
	<i>Less Rebates</i>					2000	
	<i>Discounts</i>					3000	5000
							41000
	<i>Add Freight</i>					1000	
							42000
	<i>On hand, Jan. 1</i>					60000	
	<i>Total Cost</i>					102000	
	<i>On hand, Mar. 31</i>					50000	
89.65%	<i>Cost of Goods Sold</i>						52000
	<i>Gross Profits Trading</i>						60000
	<i>Rate % on Cost</i>					11.51%	
	<i>" " Net Sales</i>					10.35%	

PROFIT AND LOSS STATEMENT, T. R. WOOD, MAR. 31, 19—

	<i>Gross Profits Trading</i>					60000
	<i>Losses—</i>					
	<i>Travelling Expenses</i>					200
	<i>Salaries of Salesmen</i>					1300
	<i>Advertising</i>					100
	<i>Rent</i>					200
	<i>Insurance</i>					150
	<i>Repairs</i>					50
	<i>Office Expenses</i>					850
	<i>" Salaries</i>					1255
	<i>Interest and Discount</i>					20
7.11%	<i>Total Expenses of carrying on the business</i>					4125
5.23%	<i>Net Profit</i>					1875
100%						

SUMMARY OF T. R. WOOD'S CAPITAL ACCOUNT

	<i>Net Credit</i>					500.50
	<i>Net Gain</i>					1875
	<i>Dr. Private Account</i>					165
	<i>Net Capital</i>					61480

BALANCE SHEET, T. R. WOOD, MAR. 31, 1910

Assets		
Cash, on hand and in the bank		5,350
Accounts Receivable, per schedule		4,220
Bills Receivable, per schedule		3,680
Mdse. on hand, per stock list		50,000
Insurance paid in advance		50
Real Estate		100,000
		255,500
—Liabilities—		
Accounts Payable, per schedule		6,260
Bills Payable, per schedule		5,500
Salaries accrued		80
		11,840
T. R. Wood's Net Capital		61,460

CLOSING THE LEDGER BY JOURNAL ENTRIES

Entries for closing the Ledger may be put in journal form. When the item concerned is an inventory to be entered on one side of an account for closing purposes and brought down below the ruling on the opposite side, it seems unnecessary to make a journal entry. These entries are, however, sometimes put through the journal. For the form of entry see page 134.

The entries following have reference to the Ledger from which the accounts for the foregoing statement were taken.

Note that the rebates, though appearing in the statement, had been entered through the Purchases and Sales accounts in the Ledger.

- Enter all *inventories* shown in the Balance Sheet on the proper side of the accounts to which they relate—Asset inventories on the credit side, Liability inventories on the debit side, all in red ink.

After each of these accounts has been ruled up, the inventory will be brought down on the opposite side in black ink.

Mar. 31, 19—

- Mdse. Purchases* 1000
Freight-in 1000
To close Freight-in Acct.
- Disc. off Purchases* 3000
Mdse. Purchases 3000
To close Disc. off Purchases Acct.
- Mdse. Inventory* 4,2000
Mdse. Purchases 4,2000
To close Mdse. Purchases Acct.
- Mdse. Sales* 1000
Disc. off Sales 1000
To close Disc. off Sales Acct.
- In order to show *Net Sales* the *Mdse. Sales Acct.* should be closed and the balance brought down.
- Mdse. Sales* 5,2000
Mdse. Inventory 5,2000
To close Mdse. Inventory Acct.

Exercise. Using the trial balances and inventories, page 24, make the journal entries for closing the books.

- Mdse. Sales* 6000
Loss and Gain 6000
To close Mdse. Sales Acct.
- Loss and Gain* 4125
Travelling Expenses 200
Salmon's Salaries 1,300
Advertising 100
Rent 200
Insurance 150
Replies 50
Office Expenses 850
Office Salaries 1,255
Interest and Discount 20

To close the above Accounts.

- Note: In posting the above to *Loss and Gain Acct.*, enter the details, not the total.

- Loss and Gain* 1875
T. R. Wood, Private Acct. 1875
To close Loss and Gain Acct.

- T. R. Wood, Private Acct.* 1710
T. R. Wood, Capital Acct. 1710
To close T. R. Wood's Private Acct.

- Enter the *Net Capital* in the *Capital Account*, rule up and bring down *Net Capital* below the ruling.

- Take a final Trial Balance.
Note: As the closing entry is made in each account, the account should be ruled out

EXERCISE ON FINANCIAL STATEMENTS

1. TRIAL BALANCE		2. TRIAL BALANCE	
Cash	6275.00	Cash	6620.00
Bills Receivable	6500.00	Bills Receivable	2440.00
Accounts Receivable	10858.00	Accounts Receivable	5760.00
Mdse. on hand Jan. 1	16000.00	Mdse. on hand Jan. 1	8000.00
" Purchases	35000.00	" Purchases	21100.00
" Sales	47500.00	" Sales	24500.00
Discount off Purchases	275.00	Rebates off Sales	195.00
" " Sales	130.00	" " Purchases	260.00
Freight	1360.00	Freight	275.00
Office Furniture	2000.00	Rent	1760.00
" Salaries	1500.00	Insurance	240.00
General Expense	2520.00	General Expense	1330.00
Rent	1350.00	Interest and Discount	130.00
Interest	165.00	Bills Payable	1870.00
Bills Payable	3600.00	Accounts Payable	3460.00
Accounts Payable	2400.00	H. Riddell (Cap.)	18000.00
D. Parke (Cap. Acct.)	30000.00	" (Private)	355.00
D. Parke (Private)	250.00		
	83908.00		48205.00
	83908.00		48205.00

INVENTORIES

INVENTORIES

Mdse. on hand Dec. 31	15000.00
Office Furniture	1500.00
Rent Paid in Advance	150.00

Mdse. on hand Dec. 31	10000.00
Insurance unearned	90.00
Interest on Bills Payable	10.00

Make out the Financial Statements for each of the above, showing the percentages down the margin.

EXERCISES ON CLOSING THE MERCHANDISE ACCOUNTS

1. The books of L. H. Packard & Co. show the following data: Goods on hand Jan. 1, \$3267.20. Purchases for the year, \$9267.50. Sales for the year, \$11326.75. On hand Dec. 31, \$4236.20. In-freight cost, \$262.10. Discount off Purchases, \$323.75. Discount off Sales, \$121.20.

(a) Make out a Trading Account for the year for the firm.

(b) Find the gain per cent. on Mdse. Trading.

(c) Rule up the following accounts and show them all properly closed: Mdse. Purchases, Mdse. Sales, Mdse. Inventory, Discount off Purchases, Discount off Sales, In-freight.

2. George A. Slater has conducted business for a year with the following results: Goods on hand Jan. 1, \$2967.30; Purchases, \$8264.70; Sales, \$7326.90; Rebates off Purchases, \$325.60; Discount off Purchases, \$292.10; Rebates off Sales, \$122.10; Discount off Sales, \$97.60; In-freight, \$171.20; Goods on hand Dec. 31, \$2468.60.

(a) Make out the Trading Account for the year.

(b) Calculate Gain or Loss per cent. on Mdse. Trading.

(c) Make out the following accounts and show all properly closed: Mdse. Purchases, Mdse. Sales, Mdse. Inventory, In-freight. Enter Rebates and Discounts directly in the Purchases and Sales accounts.

INSTRUCTIONS FOR PART II. DOUBLE ENTRY

(a) **BOOKS TO BE USED.**—General, Sales, Purchase, and Cash Journals, Bill Book, and Ledger. Rule special columns on the Debit side of the Cash Book for Mdse. and Disc. off Purchases, and on the Credit side for Freight and Expense.

(b) Divide the Merchandise account into three parts: Mdse. Purchases, Mdse. Inventory, Mdse. Sales, as in the example given, page 20. Keep accounts for General Expense, Rent, and Insurance. Close the Freight account and Discount off Purchases to Mdse. Purchases.

(c) In posting from the Purchase book post the date of the invoice, not the date on which it was received, and enter in the explanation column the terms of the invoice as in the illustration, page 32. Enter also a description of the payments, whether cash, note, etc. Keep a private account for each partner. Post in the following order: Gen. J., Sales J., Pur. J., Cash J.

LEDGER LINES

Open an account for Bills receivable on the third page. On the fifth page open B. S. Milne (Cap. Acct.), B. S. Milne (Priv. Acct.), J. D. Marshall (Cap. Acct.), J. D. Marshall (Priv. Acct.). Beginning on the sixth page, open the following accounts in the order given, allowing one-quarter page for each: Freight, Discount off Purchases, Merchandise Purchases, Merchandise Inventory, Merchandise Sales, General Expense, Furniture and Fixtures, Insurance, Real Estate, Interest and Discount, Loss and Gain. Transfer Milne's Cap. Acct. to the new page.

MEMORANDA OF TRANSACTIONS

Kingston, Sept. 16. B. S. Milne this day changes books from Single to Double Entry and admits J. D. Marshall as partner under the following agreement: Mr. Marshall is to invest Cash equal to Mr. Milne's investment apart from the Store and Lot, which is valued at \$3000. Mr. Milne is allowed \$30 a month rent for the store, and the net gain or loss is then to be divided equally. The firm name is to be B. S. Milne & Co. Mr. Marshall hands over a marked cheque for the amount of his investment. Make the opening entry in complete form, post, and take off a Trial Balance.

The bookkeeper's salary is increased to \$12 a week, and the clerk's to \$10 a week, both to date from to-day.

NOTE.—All sales for Cash are included in the Cash Sales.

Bought from D. McKinnon an invoice of Mdse., Sept. 14, $\frac{2}{10}$, $\frac{n}{30}$, \$323.60.

Sold to G. Goodwin for cash, 6 Axes @ \$1.10; 15 Auger Bits @ 15c.; 3 Nickel Plated Braces @ 65c.; 4 Chisels @ 40c.; $2\frac{1}{2}$ doz. Door Knobs @ \$1.20.

Sold to E. Laurie on acct., $1\frac{1}{2}$ doz. Door Bells @ \$7.50; 9 Hammers @ 65c.; 4 sets Knives and Forks @ \$5.25; 4 Granite Kettles @ 75c.

Pay F. Forbes & Co. by cheque for the invoice of Sept. 7, less discount.

Bought of the Dominion Furniture Co. for cash, an Office Desk and Chair, \$43.50.

17. Render statements of account to W. J. Gibson and R. Richardson, and draw on them at 5 da. from Sept. 16 for the amount. Leave the drafts at the bank for collection.

Sold to W. J. Gibson on acct., $1\frac{1}{4}$ doz. Mortise Locks @ \$5.85; 6 kegs Wire Nails @ \$3; 8 Adjustable Iron Planes @ \$2.55; $1\frac{1}{2}$ doz. Brass-bound Rules @ \$7.10; 7 Shovels @ \$1.

Sold to R. Richardson on acct., 15 Wrenches @ 40c.; 10 kegs Wire Nails @ \$3; $3\frac{1}{2}$ doz. Hammers @ 65c. each; 10 doz. Door Knobs @ \$1.20.

Paid salaries for the week in cash.

Cash Sales, \$264.60. Post up to date.

19. Received cash on acct. from E. Laurie, \$40. Remitted to C. Lane & Co. a bank draft purchased by cheque for the invoice of Sept. 10, less discount, exchange $\frac{1}{2}\%$.

Sold to J. B. Armstrong for cash, 8 Adjustable Iron Planes @ \$2.55 ; 4 doz. Mortise Locks @ \$5.85 ; 15 Chisels @ 40c.

Sold to J. Stephenson on acct., 5 Axes @ \$1.10 ; 3½ doz. Auger Bits @ 15c. ea. ; 8 Chisels @ 40c. ; 9 Hammers @ 65c. ; 5 kegs Wire Nails @ \$3 ; 4 Brass-bound Rules @ \$7.10 a doz.

20. Bought from F. Forbes & Co., an invoice of Mdse., Sept. 19, $\frac{2}{10}$, $\frac{1}{30}$, \$457.30.

Sold John Adams on acct., 5 Wrenches @ 40c. ; 1 Grocer's Scales at \$3.75 ; 2 sets Knives and Forks @ \$3.25 ; 4 Granite Kettles @ 75c.

Sold R. Taylor on acct., 8 Shovels @ \$1 ; 6 Hay Forks @ 80c. ; 5 Granite Kettles @ 75c. ; 6 Axes @ \$1.10 ; 4 Adjustable Iron Planes @ \$2.55 ; 9 Brass-bound Rules @ \$7.10 a doz.

Sold to W. Thorne for his note at 10 da., 18 Auger Bits @ 15c. ; 6 Nickel Plated Braces at 65c. ; 15 Chisels @ 40c. ; 6 kegs Wire Nails @ \$3. Received his note in payment.

J. Stephenson returned 1½ doz. Auger Bits from his purchase of the 19th. We give him credit.

Bought for cash 3 additional chairs for the office, \$8.50.

21. Sold to W. J. Gibson on acct., 4 Axes @ \$1.10 ; 3 kegs Wire Nails @ \$3 ; 2 sets Knives and Forks @ \$3.25 ; 4 Granite Kettles @ 75c.

The bank presented to us D. McKinnon's sight draft for the amount of the invoice of Sept. 14, less discount. We paid it in cash.

R. Taylor is unable to pay his note due to-day and he requests us to renew it for him for 30 da. We consent to this, and he hands us a new note to cover the old one, and interest at 7% for 33 da.

22. Sold to T. R. Matthews, 160 Brock St., for cash, 6 Axes @ \$1.10 ; 8 Chisels @ 40c. ; 5 Hammers @ 65c. ; 10 Adjustable Iron Planes @ \$2.55.

Sold to J. Stephenson on acct., 2½ doz. Auger Bits @ 15c. ea. ; 8 Nickel Plated Braces @ 65c. ; 3 doz. Door Knobs @ \$1.20 ; 1½ doz. Door Bells @ \$7.50 ; 8 kegs Wire Nails @ \$3 ; 1½ doz. Shovels @ \$1 ea.

Cash Sales, \$215.

Received cash on acct. as follows: W. J. Gibson, \$50 ; R. Richardson, \$75 ; J. Adams, \$20.

23. F. Forbes & Co. overcharged us 25c. a keg on 30 kegs Wire Nails in their invoice of the 20th. We have to-day received a credit note for the amount.

Paid for a bill of Stationery in cash, \$12.50.

Sold to R. Richardson on acct., 9 Wrenches @ 40c. ; 15 Brass-bound Rules @ \$7.10 a doz. ; 6 Adjustable Iron Planes @ \$2.55 ; 18 Mortise Locks @ \$5.85 a doz. ; 9 Chisels @ 40c.

24. B. S. Milne withdrew for private use, \$45, and J. D. Marshall withdrew \$30, both by cheque.

Sold to J. Adams on acct., 4 Granite Kettles @ 75c. ; 1½ doz. Auger Bits @ 15c. ea. ; 2 Nickel Plated Braces @ 65c. ; 5 Mortise Locks @ \$5.85 a doz.

Sold E. Laurie, 10 Hay Forks @ 80c. ; 8 Shovels @ \$1 ; 6 kegs Wire Nails @ \$3. Received cash \$10, balance on account.

Paid a freight bill in cash, \$7.50.

Paid salaries for the week in cash.

Deposit all cash on hand but \$100.

Cash Sales, \$339.90. Post up to date.

25. Sold J. B. Armstrong for cash, 6 Chisels @ 40c. ; 2 sets Knives and Forks @ \$3.25 ; 6 Granite Kettles @ 75c. ; 3 Brass-bound Rules @ \$7.10 a doz.

Sold to R. Taylor for his acceptance at 30 da., 8 Adjustable Iron Planes @ \$2.55 ; 6 Wrenches @ 40c. ; 5 Axes @ \$1.10 ; 2½ doz. Auger Bits ea. 15c. ; 2½ doz. Door Knobs @ \$1.20 ; 15 Mortise Locks @ \$5.85 a doz. ; 4 kegs Wire Nails @ \$3.

Bought from C. Lane & Co. an invoice of Mdse., Sept. 23, draft at sight, less 3%, \$266.90. The draft has not yet been presented.

Received cash on account as follows: J. Stephenson, \$60.

The bank reports the drafts on W. J. Gibson and R. Richardson collected and the proceeds credited. Exchange 14 cents.

27 Sold to W. Thorne on his note at 30 da., 12 Hay Forks @ 80c.; 9 Wrenches @ 40c.; 6 Brass bound Rules @ \$7.10 a doz.; 5 Granite Kettles @ 75c.; 5 kegs Wire Nails @ \$3; 3 Adjustable Iron Planes @ \$2.55.

Paid F. Forbes & Co. by cheque for the invoice of Sept. 19, less discount and rebate.

The bank presented C. Lane & Co.'s sight draft for the amount of the invoice of Sept. 23, less discount. Paid the draft in cash.

J. B. Armstrong requests that his note due to-day be held over for 3 da. We consent to this arrangement.

28 Sold to R. Richardson on account, 5½ doz. Auger Bits @ 15c. ea.; 4 Nickel Plated Braces @ 65c.; 1½ doz. Door Bells @ \$7.50; 8 Shovels @ \$1.

Paid T. Mitchell in cash for painting counters, \$10.25.

J. D. Marshall took for private use 1 Hammer @ 50c.; 1 Adjustable Iron Plane @ \$1.95; 1 Shovel @ 80c.

29 Sold to W. J. Gibson on account, 4 Axes @ \$1.10; 9 Chisels @ 40c.; 7 Hammers @ 65c.; 3 Adjustable Iron Planes @ \$2.55; 4 Rules at \$7.10 a doz.

Bought from D. McKinnon an invoice of Mdse., Sept. 27, $\frac{2}{10}$, $\frac{1}{30}$, \$339.10.

Received cash on account as follows: J. Adams, \$20; R. Taylor, \$90; W. J. Gibson, \$40.

B. S. Milne took for private use 1 Grocer's Scales, \$2.95; 1 set Knives and Forks, \$2.50.

30 Returned to D. McKinnon from invoice of the 27th, 1½ doz. Adjustable Iron Planes found to be defective, price \$1.95 ea.

J. B. Armstrong paid his note due on the 27th in cash.

Paid freight bill in cash, \$13.75. Cash Sales, \$275.40.

Credit B. S. Milne in private account with $\frac{1}{2}$ month's rent, and charge to General Expense Account Post up to date. Post totals from the Cash Book and close the book, bringing down the balance.

Take a Trial Balance, entering totals in all accounts showing Loss and Gain, balances in all others.

Make out the Financial Statements and close the books. Make journal entries for closing.

NOTE.—Do not forget to close Freight acct. and discount off Purchases to Mdse. Purchases acct. Then close Mdse. Purchases to Mdse. Inventory. Now enter Inventory at closing on the credit side of Mdse. Inventory acct. and close this acct. with "Costs of Goods Sold" and carry the amount to the debit of Mdse. Sales Account. Next close Mdse. Inventory to Mdse. Sales, and the difference between the two sides of the Mdse. Sales acct. will show the Gross Profits, which should be posted to the debit side of this account and to the credit side of the Loss and Gain accts. Close the other accounts, showing loss or gain, directly to the Loss and Gain accts. Then close the Loss and Gain accts. to the Private accounts, making two entries in Loss and Gain accts., one for each partner. Close the private accounts with "Balance to Capital accts." and transfer this balance to the Capital accounts. Close the Capital accounts with "Net Capital" and bring it down below the ruling on the credit side of the accts.

THE FOLLOWING ARE THE INVENTORIES

Merchandise on hand	\$1083.82	Real Estate, valued at	\$3000.00
Salaries due		Furniture and Fixtures	\$0.00
Insurance unexpired	14.20		

RESULTS

Net Capital, \$6197.13.	Net Gain, \$290.81.	Net Gain %, 16.83.
Gross Profit, \$189.43.	Gross Profit on Sales, 12.54.	% on Cost of Goods sold, 29.10.
B. S. Milne's Net Capital, \$4597.47.	D. J. Marshall's Net Capital, \$1599.06.	Cash Balance, \$1806.66.

EXERCISE ON LOSS AND GAIN ACCOUNTS

Make out in Ledger form the accounts indicated below, showing each one properly closed with the Net Gain or Loss. What items, if any, would have to be omitted in each to close with the Trading Profit or Loss?

1. **Stock.** Bought 760 head of cattle at \$57.60 each. Kept them 13 weeks at a cost of 75c. each per week. Fifteen of the cattle died. Sold the hides at \$4.60 each. Sold the remaining cattle at \$72 each. Find Gain or Loss.

2. **Real Estate.** Had property on hand Jan. 1, \$5200. Built houses on this property at a cost of \$7600. Paid taxes for the year, \$175. Collected rents, \$275. House, valued at \$1650, was destroyed by fire. Received insurance, \$1200. Paid fees and other charges, \$65. Property on hand Dec. 31, \$13000. Find Net Gain or Loss.

3. **Groceries.** On hand Jan. 1, goods worth \$4200. Cash purchases for the year, \$2750. Credit purchases, \$1640. Cash sales, \$3100. Credit sales, \$1800. Loss by fire, \$2000. Received insurance, \$1500. Gave to charities during the year, goods worth \$175. Received by bequest a stock of groceries worth \$2500. On hand Dec. 31, goods worth \$6000. Find Net Gain or Loss.

4. **Provisions.** Goods on hand Jan. 1, \$3275. Cash purchases, \$3250, less discounts \$275. Cash sales, \$3370, less goods returned, \$125. Credit purchases, \$4260. Sales on credit, \$5200. Running Expenses, \$1520. Accounts which could not be collected, \$146.20. Accepted 75c. on the dollar for a note of \$325 received in the course of business. Goods on hand Dec. 31, \$3700. Find Net Gain or Loss.

EXERCISE ON THE ANALYSIS OF MDSE. ACCOUNT

1. Mdse. Purchases, \$8275.30. Sales, \$7312.70. On hand at closing, \$2729.40. Find the gain. Find the gain %.

2. Mdse. Purchases, \$7624. Sales, \$3725.60. On hand at beginning, \$2272.10. On hand at closing, \$6265.40. Find Gain or Loss and Gain or Loss %.

3. Mdse. Purchases, \$7325.60. Sales, \$8426.40. On hand at beginning, \$1726.30. Gain $\frac{1}{2}$, 25. Find Inventory.

4. Sales, \$6420.75. On hand Jan. 1, \$2475. On hand Dec. 31, \$1775.20. Gain $\frac{1}{2}$, 33 $\frac{1}{3}$. Find the purchases.

5. Sales, \$7264.20. On hand Dec. 31, \$1726.50. On hand Jan. 1, \$2926.30. Gain, \$725. Find Purchases and Gain %.

6. Purchases, \$3774.20. On hand Jan. 1, \$4186.20. On hand Dec. 31, \$4120. Loss, 10%. Find the sales.

7. Inventory Dec. 31, \$929.20. Loss, 6 $\frac{2}{3}\%$. Sales, \$1726.20. Find the purchases.

8. On hand Jan. 1, \$3726.40. On hand Dec. 31, \$2426.30. Purchases, \$7324.10, less discount \$272.40. Sales, \$9538.60, less rebates \$165.30. Rent, \$175. Taxes, \$90. Gen. Expenses, \$326.10. Net Credit, \$4000. Find Gain on Trading. Find Net Gain or Loss. Find Gain on Capital. What are the running expenses of the cost of the goods sold?

BANK ACCOUNT IN THE CASH BOOK

When it is considered desirable to have a Bank Account in the books, it is usual to keep it, not in the Ledger, but in the Cash Book. The Cash Book then shows Cash and Bank Balances. See page 29.

When the bank account is kept in the cashbook and all cash is not deposited daily, it is convenient to have both a cash column and a bank column on each side of the book, thus keeping two distinct accounts, Cash and Bank.

Since some items in each column may be paid in cash and some by cheque, it will not be possible to get the correct totals for cash and bank by combining certain of the columns; it will therefore be better to enter every item in either cash or bank column as required and use the other columns

It would not be practicable to provide special columns for all items, but if only some of the items were distributed, there could be no proof of the correctness of the work. By ruling a sunburst column as special columns on each side of the book, provision may be made for distributing all items, and a proof may then be obtained as in the cash book above.

Note that the balances of the first two columns must prove with the balance of the other columns when combined.

In the process of bringing the columns together not only is provision made for posting totals, but all items to be posted are brought into one column on each side of the book under the headings Dr. and Accounts Cr., just as in the special column cash book, page 18.

EXERCISES ON CASH BOOK

1. Rule a Cash Book with special columns on the debit side for Disc. off Purchases, and for Bank Dr., and on the credit side for Disc. off Sales, and for Bank Cr., and enter the following transactions :

Oct. 1. H. Brooks began business with Cash on hand, \$250, and on deposit in the Dominion Bank, \$3700.

2. Received the following cheques on account : E. Turner, \$160 (disc. already off, \$4) ; T. Long, \$75 (disc. already off, \$3) ; W. Stephen, \$64 ; R. Goldie, \$122 (disc. already deducted, \$5).

Remitted cheques in payment of the following accounts : T. Wood, \$75, less 3% ; R. Jones, \$160, less 2% ; M. Gray, \$33.

Discounted notes on hand, \$730, the bank charging \$5.10 discount. Deposited the proceeds of these notes and all cheques on hand. Exchange 90 cents.

Paid wages by cheque, \$75, and for Stationery in Cash, \$2.50.

Close the book and bring down the balances.

3. Received the following remittances in this morning's mail : B. Smith, on acct., \$112 (disc. already deducted, \$3) ; R. Walker, in full of his note, \$135 and interest, \$5 ; H. Green in payment of his acceptance, \$212, less disc. for unexpired time, \$3.

Issued cheques for the following : S. Black's acct., \$177, less 2% ; H. Miller's acct., \$260, less 5% ; my note favour H. Munro, \$127.50, with interest to date, \$2.10.

Paid Rent for Oct. by cheque, \$50, and for an office chair in cash, \$12.50.

Deposit all cheques and all cash but \$125. Exchange 50 cents.

Close the book and bring down balances. Post and take off a Trial Balance.

2. Rule a Cash Book with special columns on the debit side for Bank Dr., Bills Rec. Cr., and Int. and Disc. Cr., and on the credit side for Bank Cr., B. Pay. Dr., and Int. and Disc. Dr., and enter the following :

Nov. 1. George White continues business with Cash on hand, \$275, and in the Standard Bank, \$4500.

2. Remitted to R. Gray, cheque on account, \$75.

Paid by cheque my note, No. 1, favour H. Green, \$166, with interest, \$4.

Paid Rent for Nov. by cheque, \$60.

Received from B. Black cheque in full of his acct., \$120, less disc., \$4.

M. Winters paid his note, No. 1, due to-day, by cheque, face \$225. Interest \$2.70.

Deposit all cheques, exchange $\frac{1}{8}\%$, but not less than 10c. on any cheque.

3. Discounted for H. Clark, J. Brown's note in his favour, face of note, \$200, discount \$3, proceeds paid by cheque.

Received cheques in payment of the following notes due to-day : S. Robb's (No. 2), \$320, D. Good's (No. 3), \$175 and interest \$4 ; G. Bush's (No. 4), \$164 and interest \$2.

Prepaid by cheque my note favour W. Moir (No. 2), face \$260, disc. \$3.

Paid for office supplies in cash, \$12.50.

Deposit all cheques on hand, exchange $\frac{1}{8}\%$, but not less than 10c. on any cheque.

Close the book and bring down the balances.

4. Received cheques as follows, —from T. Parks, in full of acct., \$75, less disc. \$3 ; from S. Polson, for his note, \$122.50, and interest, \$3 ; from J. Inglis, prepaying his note, \$223, less disc., \$2.50.

Issued cheques as follows, —to J. Carrier, in full of acct., \$160, less disc., \$6 ; in payment of the following notes favour E. Kerr (No. 3), \$124, and interest \$3 ; favour J. Matheson, \$210, less disc., \$6.

Gave the clerk on account of wages cash, \$10.

Deposit all cheques and all cash on hand but \$50, exchange $\frac{1}{2}$ %, but not less than 10¢, on any cheque. Close the book and bring down balances. Post and take off a Trial Balance.

THE PURCHASE BOOK OR PURCHASE REGISTER

In some lines of business it is customary to offer a choice of terms on goods bought. Thus, the net price may be for 30 days, with the option of a discount of 2 per cent. if paid within 10 days. In such cases it is important that the bill should be paid, if possible, within the 10 days and the discount earned. For this purpose it is necessary to enter the invoices in such a way as to keep a record of these due dates. One method of keeping such record is to enter in a daily memorandum book the name of the firm and the amount of the invoice under the date upon which it must be paid in order to earn the discount, care being taken to allow time for the transmission of the cheque. This entry is made as soon as the invoice has been checked up and certified by the proper person or persons. The invoices are not entered in the purchase book till the end of the month, when they are grouped according to the firms from which they have been received.

Another method is that illustrated in the form of Purchase Register below. The entries in this book must, of course, be made as soon as the invoice has been properly checked and certified.

PURCHASE REGISTER

No.	Date Received	l. v.	Name	Address	Date of Invoice	Terms	Year	When Due	Amount of Invoice	Cash Discount	Net Amount	When and How Paid
1	Sept. 3		<i>F. Forbes & Co.</i>	Toronto	Sept. 1	2 10^6 30	1911	1st Inst.	195.31	3.99	191.31	Sept. 10 Chk.
2	" 6		<i>C. Lane & Co.</i>	Montreal	" 3	2 10^6 30	1911	1st Inst.	351.75	7.03	344.71	" 12 Bk. Dr.
3	" 8		<i>F. Forbes & Co.</i>	Toronto	" 7	2 10^6 30	1911	1st Inst.	351.75	7.03	344.71	" 12 Bk. Dr.
4	" 10		<i>D. McKenna</i>	Montreal	" 7	2 10^6 30	1911	1st Inst.	375.50	7.51	367.99	
5	" 13		<i>C. Lane & Co.</i>	Montreal	" 10	2 10^6 30	1911	1st Inst.	421.30	8.43	412.87	
*	" 15		<i>Myls.</i>	Dr.					1515.45			

NOTE. The first date under "when due" may in each case be entered in red ink for the sake of emphasis.

THE SALES LEDGER OR CUSTOMERS' LEDGER

When there is a large number of customers' accounts to be kept, it is found convenient to have a separate Ledger for them, or even several such Ledgers. The Ledger is then subdivided into "Sales Ledger" and "Purchase and General Ledger." If the number of accounts is so great that one person is unable to enter all the credit sales, the Sales Ledger is itself subdivided. This division may be made either alphabetically, thus, "Ledger A to G," "Ledger H to N," "Ledger O to Z," or territorially, "City Ledger," "Country Ledger."

In the Trial Balance, the balance only of these ledgers is entered under the name Accounts Receivable, just as the balance of cash was entered from the Cash Book. Or if it is so desired, a Cash account and an Accounts Receivable account may be opened in the General Ledger, and the balance of the Cash Book and of the Customers' Ledger entered therein. The General Ledger will then balance independently of any other book. Similarly Accounts of Creditors may be kept in a Purchase Ledger,

It is to the Ledgers containing personal accounts that the loose leaf system lends itself most readily, for accounts may then be dropped from the ledger, or they may be continued indefinitely without interfering with the arrangement of the accounts.

A convenient form of Sales Ledger account follows.

ACCOUNT No. 1.

Name, R. HENDERSON

Address, LINDSAY

SHEET NO. 1.

Date	Description	Folio	Debits	Ck.	Credits	Dr. or Cr.	Balance
19—							
Nov. 1	Balance						189 70
" 6	Cash					74 40	115 30
" 13	N. 30 da.					56 76	58 54
" 18	D. 15 da., less 2%			117 15			175 69
Dec. 1	" 10 " 30 "			211 40			387 09
" 13	Cash					154 64	232 45
" 20	N. 10 da.					114 81	
" 20	Disc. 2%					33	115 30
" 23	" 10 " 30 "			75 60			190 90
" 28	Cash					190 90	
" 31	D. 15 da., less 2%			86 20			86 20

NOTE. —If it is thought desirable that the Ledger account should contain the items of the sales, these may be entered instead of the terms of the sale, especially if the sales are on open account. This seems scarcely necessary, however, for an itemized bill is given at the time of the sale, and it seems only necessary for the account and the corresponding statement to contain a summary.

REVIEW EXERCISE

1. The books of J. M. Green show: Goods on hand Jan. 1, \$12450; Purchases for the year \$45375.60; Sales \$58256.90; On hand Dec. 31, \$14900; Freight-in \$3150; Disc. off Purchases \$1247.60; Disc. off Sales \$1290.90; Rebates off Purchases \$1195.60; Rebates off Sales \$1215.

a. Prepare a Trading account showing percentages properly entered.
b. Rule up the necessary Ledger accounts and show them properly closed.

2. R. Wilson and W. Young have kept their books by Single Entry. They share gains and losses Wilson $\frac{2}{3}$, Young $\frac{1}{3}$. Wilson invested \$6500, Young invested \$4000.

At the close of the year their accounts stand as follows:—Cash on hand \$850; balance in the bank \$2750; Bills Receivable in the Bill Book No. 1 \$175, No. 2 \$330, No. 3 \$260; No. 1 is marked paid and there is interest accrued on Nos. 2 and 3 \$2.75; Bills Payable in the Bill Book No. 1 \$450, No. 2 \$220; No. 2 is marked paid and there is interest accrued to date on No. 1 \$3.25; Ledger accounts, R. Black, Dr. \$175, H. Power, Dr. \$300, F. Bradley, Dr. \$133, P. Williams, Dr. \$75, D. Beattie, Cr. \$400, R. Selby, Cr. \$220; Mdse. on hand \$7000; Rent paid in advance \$50; Insurance paid in advance \$12.50; Salaries accrued \$35; Office Furniture Cost \$300, now worth \$225; Horse and Wagon cost \$310, now worth \$250.

a. Prepare the Financial Statement at the close of the year. b. Make the Journal Entry to change the books to Double Entry. c. Show the Capital accounts properly closed.

3. E. Evans and A. Ferguson are partners, Evans invested \$7200 and Ferguson \$6500. Evans has withdrawn \$675 and Ferguson \$250. Each is to get 4 $\frac{1}{2}$ per annum on capital invested. Evans gets a yearly allowance for services \$300 and Ferguson \$600. They share net gain or loss equally. At the end of a year, before interest or salary are provided for, the gain is \$250.

Show the Capital accounts and Private accounts properly closed.

SET II—DOUBLE ENTRY

RETAIL CLOTHING

SPECIAL FEATURES.—The Bank account is kept in the Cash Book by means of a special column. The use of the Sales Ledger, or Customers' Ledger, and Purchase Ledger or Creditors' Ledger is introduced. See pages 29 to 32.

INSTRUCTIONS

BOOKS TO BE USED. General, Purchase, Sales, Cash and Bill Journals, the Cash Journal with columns on the Debit side for Cash, Bank Dr., Gen. Ledger, Mdse. Sales, Disc. off Purchases, and on the Credit Side for Cash, Bank Cr., Gen. Ledger, Salaries, Expense. General Ledger, Customers' Ledger, and Creditors' Ledger to be balanced together. For form of Bill Book see *First Course* page 105.

DIRECTORY

Ackerman, F., 35 Water St.
Barton & Manning, Hamilton.
Beaver, R., Bloomingdale.
Bond, H. E., Preston.
Cameron, D., 77 Queen St.
Goldberg, Joseph, 60 Water St.
Hume Bros., Kitchener.

Jenkins, R. D., Hespeler.
Leckie, John, Waterloo.
McDonald, Norton, Montreal.
Mitchell, Robert, Breslau.
Newlands, W., 68 Weber St.
Noxon, Chas., Waterloo.
All others, Kitchener.

LEDGERS

PURCHASE LEDGER.—One page, 4 accounts as for Sales Ledger.

SALES LEDGER.—Three pages, 4 accounts on a page, 2 on the left and 2 on the right-hand side.

GENERAL LEDGER.—Three accounts on a page: Bills Receivable, Bills Payable, Mortgage Payable, R. D. Kemp (Cap. Acct.), R. D. Kemp (Priv. Acct.), J. S. Forbes (Cap. Acct.), J. S. Forbes (Priv. Acct.), Freight, Discount off Purchases, Merchandise Purchases, Merchandise Inventory, Merchandise Sales, Real Estate, Insurance, Expense, Office Furniture, Interest and Discount, Salaries, Loss and Gain.

MEMORANDA OF TRANSACTIONS

Kitchener, Oct. 1, 19—. The firm of Kemp & Forbes carry on a Retail Clothing Business at 166 King St. The members of the firm are R. D. Kemp and J. S. Forbes. By their agreement each is to get 5 $\frac{1}{2}$ per annum interest on his net capital, as shown in his capital account; the net gain or loss is then to be divided equally. Neither partner is to withdraw more than \$100 a month. Their present standing is as follows:

Cash on hand, \$450; Goods on hand, \$1850; Office Furniture, \$350; Store and Lot, \$6000, against which there is a mortgage of \$4000, bearing interest at 4 $\frac{1}{2}$; note on hand against W. Newlands, No. 12, dated Sept. 20, at 30 da. for \$77.20; accounts receivable: J. Leckie, \$25.40; D. Cameron, \$44.15; R. Mitchell, \$22.65; Chas. Noxon, \$15.60; Cash in the bank, \$869.55.

They owe on a note, No. 14, favour Barton & Manning, dated Sept. 15 at 30 da., \$225.10, to Norton McDonald on account, \$99.20; Interest on Mortgage, \$50. R. D. Kemp's Net Capital is \$3270.10, and J. S. Forbes' Net Capital is \$2060.15.

You are engaged as bookkeeper at \$60 a month and are instructed to open a new set of books from the above data. Make the necessary opening entries, post and take off a Trial Balance.

3. Received the following payments on account: D. Cameron, \$25; R. Mitchell, \$12.50; C. Noxon, \$10. Received from Barton & Manning, invoice No. 75, Oct. 1, $\frac{5}{10}$, $\frac{1}{30}$, \$377.40. Sold W. Newlands, 1 Beaver Overcoat, \$12.50; 1 pr. Suspenders, 50c.; 2 suits Underwear @ \$2.25. Insured the Store and Contents in the Dominion Insurance Co. for \$4000 at $\frac{3}{4}$ per cent., and paid the premium by cheque. (The last cheque was No. 57.)
4. Accepted Norton McDonald's draft (No. 17) at 30 da. from Sept. 22, for the amount of their bill of that date, \$99.20. Sold to H. E. Bond, 1 pr. Men's Trousers, \$4; 1 Boy's 2-piece Norfolk Suit, \$5.75; 6 Linen Collars, \$1. Sold R. Mitchell, 1 Tweed Suit, \$10.50; 2 White Shirts @ \$1; 1 suit Underwear @ \$2.25; 1 pr. Kid Gloves @ \$1.50.
5. S. James requests us to loan him \$300 for 20 da., and we consent to discount his note (No. 13) for that amount and time at 6%. We hand him a cheque for the proceeds. Sold to John Leckie, 1 pr. Suspenders, 50c.; 1 Men's Negligé Shirt, 75c.; 1 suit Underwear, \$2.25. Cash Sales, \$75.50. Paid for a bill of Stationery by cheque, \$12.50. Mr. Kemp took for his own use 1 Rain Coat, \$12.40; 1 suit Underwear, \$1.75.
6. Sold to R. Beaver, 1 Fall Overcoat, \$10.50; 1 Boy's 3-piece Suit, \$4.50. Received cash, \$10, balance on acct. Sold to Chas. Noxon, 1 Tweed Suit, \$10.50; 1 Boy's Ulster Overcoat, \$3.25; 3 prs. Cuff's @ 25c. Received cash on account as follows: John Leckie, \$20; W. Newlands, \$10. R. Mitchell returned the Tweed Suit bought on the 4th, \$10.50, and took instead a Worsted Suit @ \$12.50.
7. Sold to F. Ackerman, 1 Single Breasted Tweed Suit, \$10.50; 1 Negligé Shirt, 75c. Sold to W. H. Moir for cash—included in the Cash Sales—1 pr. Suspenders, 50c.; 2 prs. Socks @ 35c.; 1 pr. Gloves @ \$1.50. Received from Hume Bros., an invoice of Mdse., Oct. 6, $\frac{5}{10}$, $\frac{1}{30}$, \$126.60.
8. Sold to R. D. Jenkins, 1 B. Beaver Overcoat, \$12.50; 2 White Shirts @ \$1; 1 suit Underwear @ \$2.25; 1 pr. Kid Gloves @ \$1.50. Cash Sales, \$135.10. Paid P. Ottoman in cash, for alterations to clothing, \$3.75. The bank presents the sight draft of D. Horton on Mr. Forbes for \$25. It is paid by cheque and charged to his private account.
9. Deposit all the cash on hand but \$100, exchange 1, on out-of-town cheques, but not less than 10c. on any cheque. Post up to date. Close the Cash Book, Purchase Book, and Sales Book, and Post Totals.
10. Sold to W. Newlands, 1 suit, Worsted, \$12.50; 1 Boy's 3-piece Suit, Tweed, \$4.50; 1 White Shirt, \$1; 1 pr. Kid Gloves, \$1.50. Sold Jos. Goldberg, 1 pr. Men's Trousers, \$4; 1 Boy's Norfolk Suit, \$5.75. Remitted to Barton & Manning cheque for the amount of the invoice of Oct. 1, less discount.
11. Sold to F. Ackerman, 1 Rain Coat, \$16.50; 3 Ties @ 25c.; 2 pr. Socks @ 35c.; 1 pr. Kid Gloves, \$1.50. Sold to D. Cameron, 1 Fall Overcoat @ \$10.50; 1 Fancy Worsted Suit @ \$12.50; 2 suits Underwear @ \$2.25. Received cash \$15, balance on account. Mr. Kemp's insurance premium falls due to-day, \$21.90. It is paid for him by cheque.

12. Sold to H. E. Bond, 1 Rain Coat, \$16.50; 1 Single Breasted Suit, \$10.50.
 Cash Sales, \$87.60.
 Received cash on account from F. Ackerman, \$15; cheque from H. E. Bond, \$20.

13. Sold John Leckie, 1 Vest, \$2.95; 1 suit, Worsted, \$12.50; 2 prs. Socks @ 35c.
 Sold to C. Laine for cash—included in Cash Sales—1 Vest, \$2.95, 2 Ties @ 50c.; 1 pr. R. Gloves, 50c.
 Received from Norton McDonald, an invoice of Mdse., Oct. 10, $\frac{2}{10}$, $\frac{1}{30}$, \$77.20.
 Received from John Leckie, his note at 10 da. from to-day for the full amount of his account to date.

14. Sold to R. Mitchell, 1 Boy's 3-piece Suit, \$4.50; 1 Boy's Overcoat, \$5.25; 1 suit Boy's Underwear, \$1.50.

15. Sold to R. D. Jenkins, 1 Tweed Suit @ \$10.50; 1 suit Boy's Underwear, \$1.50; 1 Boy's Overcoat, \$5.75.
 Cash Sales, \$140.40.
 Gave Hume Bros. a cheque for the amount of their invoice of the 6th, less discount.
 Received from R. Mitchell, his note at 30 da. from to-day for the balance of his account.
 Paid P. Ottoman in cash, for alterations to clothing, \$4.50.
 Paid freight bill for the half month by cheque, \$18.75.
 Paid Bookkeeper's salary in cash. Credit partners with interest for the half-month.
 Deposit all cash and cheques on hand but \$100. Exchange $\frac{1}{2}$ on out-of-town cheques, but not less than 10c. Close the Cash Book, Purchase Book, and Sales Book.

Post up to date. Post totals. Take off a Trial Balance. Close books. For Inventories see page 3.

17. Sold to Chas. Noxon, 1 B. B. Overcoat, \$12.50; 1 Boy's Norfolk Suit, \$5.75; 2 Men's Coloured Shirts @ \$1.25; 3 prs. Socks @ 35c.
 Sold C. N. Peters for cash—included in the Cash Sales—2 prs. Cuffs @ 25c.; 2 suits Underwear @ \$2.25.
 Received from Barton & Manning, an invoice of Mdse., Oct. 14, $\frac{5}{10}$, $\frac{1}{30}$, \$296.20.
 H. Bond's cheque deposited on the 15th is returned by the bank dishonoured. Charge it back to Bond's acct.

18. Sold to W. Newlands, 1 pr. Youth's Trousers, \$2.50; 6 Linen Collars, \$1; 3 prs. Socks @ 35c.
 Remitted to Norton McDonald, a cheque for amount of their invoice of Oct. 10, less discount.
 C. Noxon presents his bill for \$10.25 for repairs to counters. With his consent this is credited to his account. Paid our note favour Barton & Manning due to-day, by cheque.

19. Sold to Joseph Goldberg, 1 pr. Suspenders, 50c.; 3 Ties @ 25c.; 2 prs. Socks @ 35c.; 1 pr. R. Gloves, 50c.
 Sold to F. Ackerman, 1 Fall Overcoat @ \$10.50; 1 pr. Trousers, \$4.
 Cash Sales, \$99.30.
 Received from R. D. Jenkins, cash \$16, and his note at 30 da. for the balance of his account.

20. Sold to D. Cameron, 1 Boy's Worsted Suit, \$6.50; 1 Boy's Overcoat, \$5.25; 3 prs. Socks @ 35c.; 1 pr. Kid Gloves, \$1.50.
 Sold to C. Wickett for cash—not included in the Cash Sales—1 pr. Men's Trousers, \$4; 6 Linen Collars, \$1; 2 prs. Socks @ 35c.
 Received from Norton McDonald, an invoice of Mdse., Oct. 17, $\frac{2}{10}$, $\frac{1}{30}$, \$93.60.
 Mr. Kemp's bill for Coal, \$41.50, is presented by the City Coal Co. It is paid by cheque and charged to his private account.

21. Sold to R. Mitchell, 1 pr. Suspenders, 50c. ; 1 Negligé Shirt, 75c. ; 6 Linen Collars, \$1 ; 1 pr. Socks, 35c.
 Barton & Manning have agreed to allow us a rebate of 20% on 6 suits belonging to their invoice of the 14th, which were of inferior grade. The invoice price was \$8.90 each. We send them a cheque for the balance of the invoice, less discount.

22. Sold to Chas. Noxon, 1 pr. Men's Trousers, \$4 ; 1 pr. Youth's Trousers, \$2.50 ; 1 Rain Coat, \$16.50 ; 1 pr. R. Gloves, 50c.
 Cash Sales, \$152.60.
 Received from Hume Bros., an invoice of Mdse., Oct. 21, $\frac{5}{10}$, $\frac{n}{30}$, \$86.40.
 Paid P. Ottoman for alterations to clothing, cash \$3.30.
 Received cash on account from F. Ackerman, \$12.50, from H. E. Bond, \$30.00, from W. Newlands, \$16.50.
 Deposit all cheques and cash but \$100, usual exchange.

D. Cameron returned the Boy's Suit bought on the 20th and we gave him credit. Post up to date.

24. Sold R. Beaver, 1 pr. Youth's Trousers, \$2.50 ; 1 pr. Cuffs @ 25c. ; 6 Linen Collars, \$1 ; 4 pr. Socks @ 35c. ; 1 pr. R. Gloves, 50c. W. Newlands pays his note due to-day by cheque.

C. Winters presents a note made by Mr. Kemp, Sept. 21, at 1 mo., for \$29.20, with interest at 6%. It is paid by cheque and charged to his personal acct.

Sold to F. Ackerman, 1 pr. Youth's Trousers, \$2.50 ; 1 Boy's 3 piece Suit, \$4.50 ; 1 suit Boy's Underwear, \$1.50.

Sold to W. J. Gibson for cash—not included in the Cash Sales—2 White Shirts @ \$1 ; 4 prs. Socks @ 35c. ; 1 suit Underwear @ \$2.25 ; 1 pr. Kid Gloves, \$1.50.

25. Paid our acceptance favour Norton McDonald, due to-day, by cheque.
 Sold to Jos. Goldberg, 1 Worsted Suit, \$12.50 ; 1 Boy's 3-piece Suit, \$6.50 ; 2 Coloured Shirts @ \$1.25 ; 1 suit Underwear @ \$2.25.

26. Sold to H. E. Bond, 2 Coloured Shirts @ \$1.25 ; 5 prs. Socks @ 35c. ; 1 pr. R. Gloves, 50c.
 Cash Sales, \$93.20.
 Received from J. Leckie, cash in payment of his note due to-day.
 Remitted to Norton McDonald, a cheque for the amount of their invoice of the 17th, less discount.

Received from Barton & Manning, an invoice of Mdse., Oct. 24, $\frac{5}{10}$, $\frac{n}{30}$, \$324.25.

27. Sold to W. Newlands, 3 Ties @ 50c. ; 2 pr. Cuffs @ 25c. ; 1 Negligé Shirt, 75c.
 Sold to D. Cameron, 3 Ties @ 50c. ; 2 pr. Suspenders @ 50c. ; 1 Negligé Shirt @ 75c. ; 1 suit Boy's Underwear @ \$1.50 ; 1 pr. R. Gloves @ 50c.
 Received from Hume Bros., a credit note for \$5.40 for goods returned from Inv. of Oct. 21.

28. Sold to F. Ackerman, 1 Boy's Overcoat, \$3.25 ; 2 Men's Coloured Shirts @ \$1.25 ; 1 suit Men's Underwear @ \$2.25.
 Received from Hume Bros., an invoice of Mdse., Oct. 27, $\frac{5}{10}$, $\frac{n}{30}$, \$99.50.
 S. James requests us to renew our loan for 30 da. at the same rate. We consent to this, and the old note is cancelled and returned, and we receive a new note bearing interest at 6% for the amount of the loan.

29. Sold to John Leckie, 1 Boy's Sailor Suit, \$3.25 ; 1 Boy's Overcoat, \$5.25.
 Cash Sales, \$175.50.
 Accepted Barton & Manning's draft at 10 da. from Oct. 24 for the invoice of that date, less discount.
 Paid P. Ottoman for alterations to clothing, cash \$4.40.
 Paid for advertising for the month by cheque, \$33.20.
 Deposit all cheques and cash but \$100, usual exchange.

31. Sold to Chas. Nixon, 1 Boy's Overcoat, \$3.25; 3 Ties @ 25c; 1 White Shirt @ \$1; 1 suit Boy's Underwear @ \$1.50.

Cash Sales, \$43.20.

Gave Hume Bros. a cheque for Invoice of the 21st, less discount and goods returned

Paid Freight bill for the half month by cheque, \$12.40.

Paid Bookkeeper's salary in cash.

Credit the partners in their private accounts with interest on capital for the half-month, and charge to interest account.

Post up to date. Post totals. Close the Cash Book and bring down balances. Take off a Trial Balance. Make out the Financial Statements and close the books.

INVENTORIES

<i>Mdse. on hand</i>	<i>\$2316.15</i>	<i>Office Furniture</i>	<i>\$340.00</i>
<i>Real Estate</i>	<i>6000.00</i>	<i>Interest due on Mortgage</i>	
<i>Insurance unexpired</i>	<i>27.50</i>		

RESULTS

Net Capital, \$5509.37. *Net Gains, \$291.82.* *Net Gain, % 20.52.*

Gross Profits, \$456.45. *Gross Profits, % on Sales, 32.11.* *% on Cost of Goods Sold, 47.28.*

D. Kemp's Net Capital, \$3319.73. *J. S. Forbush Net Capital, \$2189.04.* *Bank Balance, \$596.86.*

THE USE OF DRAFTS

The primary use of drafts is for the collection of debts. They are used mainly through the banks. A merchant desiring to collect a debt draws a draft on his debtor in accordance with the terms of the debt, and makes it payable either to his own order or to the order of his bank, and leaves it with the bank for collection. If the draft is drawn in his own favour it must be endorsed to the bank for collection. The bank then forwards the draft to its correspondent bank in the debtor's place of business, and in due course it is presented to him for acceptance, and again for payment, or it is presented for payment only. The amount collected, less collection charges, is credited to the first bank, which in turn credits this amount, less its charges, to the drawer of the draft.

Blank forms of drafts are sometimes printed with the stub in the form of an account. The stub is then filled out with the statement of the account for which the draft is drawn, and draft and stub are forwarded through the bank to the drawee.

Toronto, Nov. 1, 19—		No. 72. \$3820 Toronto, Ont. Nov. 1, 19—	
D. CAMERON & CO.		At sight after date pay to the order of	
252 Yonge St.		The Canadian Bank of Commerce	
STATEMENT		Thirty-eight $\frac{20}{100}$ Dollars,	
Date	PARTICULARS	Amt.	value received, and charge to the account of
Sept 7	Goods, on ac ^t	12 60	To Mr. E. Mason
" 12	" "	17 10	Whitby, Ont.
" 18	" "	8 50	D. Cameron & Co.
	Total	38 20	
We beg to advise having passed			
draft at <u>sight</u>			
from			
Kindly honor and oblige.			

Instead of drawing a draft, the merchant might have enclosed with his statement of account a note to be signed by the debtor. Either through oversight or intentionally, the note might not be signed and returned, but except for sufficient reason, the draft presented by the bank could not be dishonoured without loss of credit.

Drafts drawn and left with the bank for collection may be entered at once in the books as if they had been accepted, or a memorandum may be made, but no entry till the bank reports the drafts accepted or collected. In any case some record of the drafts drawn should be kept, and in case a draft which has been entered is dishonoured, it should be charged back to the personal account. *If a draft that has been accepted is dishonoured, it should be charged back to the personal account together with any additional expenses incurred.*

Drafts may be discounted at the bank instead of being left for collection, provided arrangements have been made for a "line of discount," that is, provided an understanding has been reached as to the amount of such accommodation to be granted by the bank. Such drafts should be entered in the proper books of account, and if dishonoured may be charged back to the personal account. The bank would then be charged back with the amount of interest unearned, that is, from the time the draft was charged back to the depositor's account to due date.

When the maker of a note or the acceptor of a draft is unable to pay the bill when due, an extension of time may be requested; but it is usual in such cases to renew the bill, that is, to give a new bill in place of the old one.

In renewing notes or drafts four different ways of dealing with the interest and charges may be noted, any of which may be put through the personal account.

(a) The new bill may be for the same amount as the old one, all charges being paid in cash.

(b) The new bill may be for the same amount as the old one, but may bear interest at a given rate per cent.

(c) The new bill may be given for the amount of the old, plus the interest for the given time and rate.

(d) The new bill may be drawn for such an amount that if discounted at the bank on the day on which it was drawn, the proceeds would be equal to the amount of the old bill.

EXAMPLES

1. F. Hall's note in my favour for \$400 is due to-day. He cannot pay it, and I agree to a renewal for one month. He pays the interest on the renewal in cash \$1.75.

My entries using the personal account:

1. <i>F. Hall</i>	<i>401.75</i>		2. <i>Cash</i>	<i>1.75</i>
<i>Bills Receivable</i>	<i>400.00</i>		<i>Bills Receivable</i>	<i>400.00</i>
<i>Interest</i>	<i>1.75</i>		<i>F. Hall</i>	<i>401.75</i>
B. R.₁ and interest charged to Acct.			Cash and B. R.₂ on Acct.	

2. My note for \$220 favour D. Wilson falls due to-day, and I pay cash \$100 and arrange for a renewal of the balance for one month, the new note to bear interest at 6%.

My entries using the personal account:

1. <i>Bills Payable</i>	<i>220.00</i>		2. <i>D. Wilson</i>	<i>220.00</i>
<i>D. Wilson</i>	<i>220.00</i>		<i>Cash</i>	<i>100.00</i>
B. R.₁ credit to his Acct.			Bills Payable	<i>120.00</i>

Cash and B. P.₂ on Acct.

3. A. Green's note in my favour falls due to-day, \$300. It is under discount at the bank. He cannot pay it and he has asked me to retire it and draw on him at 30 days for the amount, and include interest on the renewal \$2.50. I pay the note by cheque and draw as requested.

My entries using the personal account:

1. <i>A. Green</i>	302.50	2. <i>Bills Receivable</i>	302.50
<i>Bank</i>	300.00	<i>A. Green</i>	302.50
<i>Interest and Discount..</i>	2.50		
B. P. ₁ charged to his Acct., also interest on renewal.		B. R. ₂ on Acct.	

4. My note favour R. Fisher for \$292 falls due to-day, and I have arranged for a renewal for 30 days at a discount of 7%.

My entries using the personal account:

1. <i>Bills Payable</i>	292.00	2. <i>R. Fisher</i>	293.86
<i>Interest and Discount</i>	1.86	<i>Bills Payable</i>	293.86
<i>R. Fisher</i>	293.86		
B. P. ₁ and Discount on renewal Credited to Acct.		B. P. ₂ on Acct.	

5. John Leckie owes me on account \$60. His acceptance, \$150, falls due to-morrow. At his request I retire his acceptance, which is under discount at the bank, and draw on him at 30 days for the amount, adding the balance of his account and interest \$2.25.

My entries using the personal account:

1. <i>J. Leckie</i>	152.25	2. <i>Bills Receivable</i>	212.25
<i>Bank</i>	150.00	<i>J. Leckie</i>	212.25
<i>Interest and Discount..</i>	2.25		

Retired his Acct. No. 1, and
charged him interest on renewal.

6. Oct. 5. Drew on R. Telfer for \$365 at 30 days, and discounted the draft at the bank at 6%.
Oct. 12. The bank returns my draft of the 5th on R. Telfer dishonoured. It is charged back to my account, together with protest fee \$1.50.

1. <i>Bills Receivable</i>	365.00	3. <i>R. Telfer</i>	366.50
<i>R. Telfer</i>	365.00	<i>Interest and Discount..</i>	1.56
Drew on R. Telfer at 30 da. on Acct.		<i>Bank</i>	364.94
2. <i>Bank</i>	363.02		
<i>Interest and Discount</i>	1.98	Draft on R. Telfer, Oct. 5.	
<i>Bills Receivable</i>	365.00	returned dishonoured.	

Discounted above draft at the bank.

DEMAND, SIGHT, AND TIME DRAFTS

DEMAND DRAFTS.—When a demand draft is drawn on a customer, since it is payable when presented, it should be treated as a cheque and entered: Cash Dr., Customer Cr., or if it is to be collected through the bank and there is a charge for collection: Bank Dr., Expense Dr.,/Customer Cr.

If the draft is not honoured it should be charged back to the Customer's account and entered: Customer Dr., Bank or Cash Cr.

When a demand draft is presented it will be paid or accepted, the acceptance operating as an instruction to the bank to pay it out of the acceptor's account, and it should be entered: Creditor Dr., Bank Cr.

SIGHT DRAFTS.—Legally three days of grace are allowed on sight drafts, but they are not always taken. To all who do take advantage of this option, sight drafts are, in effect, time drafts and should be entered through the Bill Book as such.

Sight drafts drawn on customers are usually collected through the banks and may be entered:

(a) When drawn and deposited in the bank: Bank Dr., Expense Dr., Customer Cr., or if discounted at the bank, taking an estimated time,—10 days—Bank Dr., Interest and discount Dr., Expense Dr.,/Customer Cr.

(b) When drawn and left for collection they may be dealt with either:

- i. Make a memorandum only and wait till the bank reports collection, then enter: Bank Dr.,/Expense Dr.,/Customer Cr.
- ii. Prepare, on forms supplied by the bank, a duplicate list of the bills left for collection, one copy to be handed to the bank with the drafts, the other to be held as a memorandum. As the bank collects the drafts it will either:
 - a. Merely enter the proceeds on the pass book when presented, or
 - b. Present a statement showing the bills as collected with charges and proceeds credited. From these sources, the pass book and the statement entry may be made in the cash book.

TIME DRAFTS.—Time drafts should be entered through the Bill Book. They are usually collected through the bank, and when left for collection entry should be made either:

(a) When left for collection a pencil memorandum in the Bill Book under "when and how disposed of." When the bank enters the proceeds in the Pass Book, thus reporting collection, the final entry should be made in the Bill Book, and the entry should be made in the Cash Book: Bank Dr., Expense Dr.,/Bills Received Cr.

(b) When left for collection a duplicate list should be made as for sight drafts. When the bank hands back a statement of collection, entry should be made in Bill Book and Cash Book.

NOTE.—It is good practice to put all drafts drawn and discounted through the Bill Book. In this way a record is kept of all bills on which we have liability as endorsers.

EXERCISE ON DRAFTS. USE CURRENT DATES

1. K. Warden, Stratford, owes F. Taylor, Toronto, for a bill of goods, \$127.50, due in 30 da. Taylor draws on him at 30 da. after date in favour of his bank (Bank of Commerce, Toronto), and leaves the draft with the bank for collection.

- (a) Draw the draft as it will appear after the bank has had it accepted.
- (b) Make Taylor's entry when he draws the draft.
- (c) " " " " the bank reports the draft collected, exchange $\frac{1}{2}\%$.

2. Trace the draft in No. 1 step by step till it has been paid.

3. H. Stephens, Toronto, owes R. Telfer, Guelph, \$177.50, and Telfer owes T. Stamford, Toronto, \$200. Telfer draws on Stephens in his own favour for the amount of his account, and sends the draft together with a cheque on the Imperial Bank for the balance of his account, to Stamford, who places both in the bank for collection.

- (a) Write the cheque and the draft for Telfer. Place the necessary endorsements on them.
- (b) Give each man's entries. Exchange 20c.

4. W. Muirhead, Peterboro, owes J. Robertson, Toronto, \$377.60. Robertson draws on him in his own favour at 30 da. from date, for the amount of the account, and discounts the draft at the bank on the same day at 7%.

(a) Write the draft as it appears when handed to the bank.

(b) Give Robertson's entries for the transaction.

4. W. M. Neil, St. Catharines, owes S. Patterson, Hamilton, for a bill of goods, \$460, terms 30 da. or 3 per cent in 10 days. He requests Patterson to deduct the discount, and draw at sight for the net amount of the bill.

(a) Draw the draft for Patterson, making it in favour of the Standard Bank.

(b) Patterson leaves the draft at the bank for collection. Give his entry.

5. S. H. Ewing, Brantford, buys from the M. R. Mitchell Co., Toronto, a bill of goods amounting to \$750, terms $\frac{1}{2}$ per cent. Ewing requests them to draw on him at sight for half the amount of the bill, less discount, which they do, making the draft in favour of the Dominion Bank, and leaving it at the bank for collection.

(a) Draw the draft as it appears when handed to the bank.

(b) The bank reports 3 days later that the draft has been collected, exchange $\frac{1}{8}\%$. Give each man's Journal entry.

6. T. R. Sims, Galt, draws on W. C. Crawford, Toronto, at 30 days after date for \$217.20, making the draft in his own favour. He at once endorses it in full, and remits it to R. S. Campbell, Toronto, on account. Campbell receives the draft, and 5 days after the date of it, discounts it at the bank at 8%.

(a) Write the draft as it appears when handed to the bank.

(b) Give Crawford's entry and Campbell's.

7. W. J. Hughes, Chatham, draws on R. W. Cuthbert, London, in his own favour at 60 da. after sight for \$399.40. He endorses the draft in full, and remits it to T. Scott & Co., London, to apply on account. Scott has the draft accepted 4 days after it is drawn, and immediately discounts it at his bank at 7%, proceeds credited.

(a) Write the draft as it appears when handed to the bank.

(b) Give Cuthbert's and Scott's entries.

8. On Nov. 30 you render statements of account as follows: T. Marsh, \$221.50; J. Morrison, \$169.20; R. Campbell, \$335.60. You draw at 3 days' sight on each of them in your own favour, and leave the drafts with the Dominion Bank for collection. Six days later they report having made the collection, exchange $\frac{1}{8}\%$, proceeds credited.

(a) Draw the first draft as it appears when paid.

(b) Make the entry when the drafts have been collected.

9. Geo. Keith's note in my favour for \$275 falls due to-day. He cannot pay it, and he asks to have it renewed for 30 days, agreeing to pay interest at 6 per cent.

(a) Write the note given in renewal so that it would bear interest at 6% till paid.

(b) Make my Journal entry.

10. S. Meakins holds my note for \$199.60 in his favour, due to-day. I am unable to pay, and I ask to have it renewed for one month, the new note to cover the old one and interest at 7% for the time of renewal.

(a) Write the new note.

(b) Make my Journal entry.

11. F. W. Fearman holds a note for \$216.30, made by S. Proctor in Fearman's favour, and due to-day. Proctor asks to have the note renewed for 2 months, the new note to cover the amount of the old one and discount at 6% on the new note.

(a) Write the new note.

(b) Make each man's Journal entry.

THE BILL BOOK AS A PRINCIPAL BOOK

When the Bill Book is used as a principal book, it is not necessary to keep an account in the Ledger for Bills Receivable or Bills Payable. These accounts may, however, be kept and the totals of the Bill Book posted to them, from Bills Receivable Book to the debit side of Bills Receivable account, and from Bills Payable Book to the credit side of Bills Payable account. Special columns may then be kept in the Cash Book, on the debit side for Bills Receivable, and on the credit side for Bills Payable; and the totals of these columns should be posted to the credit side of the Bills Receivable account and the debit side of Bills Payable account respectively. See illustrations pages 46, 47.

In the case of renewal of notes where the new note covers the old note and interest, an entry would have to be made in the Journal for the interest: thus, Bills Receivable would be made Debit; Int. and Disc. Credit for the amount of the interest, and the Bills Receivable side of the entry would be checked with the letter "B" to prevent double posting.

EXERCISE ON BILL BOOK AS A PRINCIPAL BOOK

Rule a Cash Book with special columns on the debit side for Bank Dr., Gen. Led., B. Rec. and Int. and Disc. Dr. and Cr., and on the credit side for Bank Cr., Gen. Led., B. Pay., and Int. and Disc. Dr. and Cr.; also rule a Bill Book as on pages 46, 47, but omitting the Accounts Receivable column, and enter the following transactions:

1. P. W. Miller begins business with cash on hand, \$360; on deposit in the Imperial Bank, \$2960; a note for \$260 made Jan. 10, at 30 da., by L. Moir, in Miller's favour: an accepted draft for \$320 drawn on C. Smith, Jan. 5, at 1 mo., by L. Johnston in his own favour and endorsed to P. W. Miller: a note made by P. W. Miller, Jan. 15, at 1 mo., for \$185, in favour of C. Hooper; a draft drawn by F. Sinclair in his own favour, Jan. 25, at 15 da. sight, for \$275, and accepted by P. W. Miller, Jan. 28.)
2. Drew the following drafts on acct.: On H. Hall for \$160, at 30 da., payable at the Imperial Bank; on F. Lorne, for \$77.50, at 60 da., and on G. Sherman for \$66.30 at 10 da. Accepted the following drafts on acct.: (by G. Gray, in his own favour, for \$126.10, at 30 days' sight; by R. Jones, favour S. Small, for \$210 at 30 da. from Feb. 1.
- Discounted for S. White his draft for \$328.50, at 30 da. from Jan. 20, drawn on K. Reid in his own favour and endorsed to P. W. Miller. Rate of discount 6%. Proceeds paid by cheque.
- C. Smith is unable to pay his acceptance due to-day, and we arrange to renew it for him for 30 da. He accepts our draft for \$320 at 30 da. from to-day, and pays the interest on it at 6% in cash. Discounted at the bank at 7% the draft drawn on H. Hall on the 2nd. Proceeds deposited.
12. Drew the following drafts on acct.: on G. Sherman for \$73.10, at 10 da.; on F. Lorne for \$82.30, at 30 da.; both payable at the Imperial Bank.
- Accepted drafts as follows: by G. Gray, in favour of P. Winters, for \$135.60, at 10 da. from to-day; by R. Jones, in his own favour, for \$97.20, at 20 da. from to-day.
- Discounted at 8% J. Fisher's note at 2 mo. from Feb. 12, for \$292. Proceeds paid by cheque.
15. Received from G. Sherman his cheque in payment of his acceptance due to-day. My acceptance favour F. Sinclair falls due to-day and I have arranged to renew it. I give him my note at 1 mo. for \$275 and pay the interest at 6% on the renewal in cash.
18. Paid my note favour C. Hooper due to-day, by cheque.
- Sold to D. James, a town lot for \$325, and received his note at 1 mo. in full payment.
22. Received from K. Reid, his cheque to cover his acceptance due to-day.
- Accepted R. Webster's draft for \$88.20 at 30 da. in his own favour.

25. Remitted to P. Winters, my cheque in payment of my acceptance due to-day. Received from G. Sherman, his cheque in payment of his acceptance due to-day. Discounted at the bank at 6 $\frac{1}{2}$ %. C. Smith's acceptance of the 8th, for \$320. Proceeds credited.

28. Prepaid by cheque my acceptances due Mar. 6, \$210, and Mar. 7, \$97.20. Rate 1 disc. at 6%. Post from both books and take off a Trial Balance. Close the Cash Book and bring down the balances.

C. O. D. SALES

Goods are sometimes sold to be paid for at the time of delivery. The simplest instance of this is where the driver of the delivery wagon collects the money when he delivers the goods, and hands it in to the office upon his return.

When goods are sold to be delivered at outside points, they may be sent either by express or by freight. If sent by express the companies will, through their agent, collect the price of the goods upon delivery, and return the amount to the shipper, charging a commission as the banks do for such collection.

If the goods are sent by freight, the collection is made in a slightly different manner. The invoice is sent to the purchaser in the usual way, but the shipping receipt or bill of lading does not accompany it. The shipping receipt is made out to the order of the bank, a sight or demand draft is drawn for the amount of the invoice, and this also is made out to the order of the bank. The draft is attached to the shipping receipt, and handed over to the bank for collection. The bank then endorses both documents, and forwards them to its correspondent in the purchaser's place of business. Upon receipt of the papers this bank sends notice to the purchaser, who comes to the bank, pays the sight draft, and receives the shipping receipt which gives him access to the goods. Without the receipt the company will not deliver the goods, consequently they must be paid for before they will be handed over to the purchaser.

Sales made in this way may be regarded as cash sales, and entered either with the cash sales for the day or in a separate entry, the entry being for those sales only for which the returns have been received.

Especially if some time elapses between the shipment of the goods and the receipt of the returns, it becomes very important that a reliable record of such shipments should be kept. A convenient way of doing this is to open a "C. O. D." account in the Customers' Ledger, and enter all such sales at the time of shipment, crediting for the payment when the returns are received. For this purpose the usual Ledger ruling is more convenient, for then the name is entered in the explanation column on the debit side, the credit entry is made directly opposite, and the account shows on the face of it which bills have been paid. The ruling of the Customers' Ledger may be used, but the bills should then be checked out as paid, since the credit entry would not be directly opposite the debit entry for the same sale.

Where there is a cash discount to be allowed, it should be deducted on the invoice, and the entry made and the draft drawn for the net amount; or the entry may be made for the full amount, and a cash book entry made at once for the discount, the net amount being entered through the Cash book when the returns are received. In any case, the discount should be deducted on the invoice, and the draft drawn for the net amount.

NOTE.—The shipping receipt and the draft are sometimes made out to the order of the shipper. In this case they must be endorsed to the order of the bank before being handed over.

EXERCISE

1. Toronto, Nov. 2, 19—. Sold to J. D. Simpson, Collingwood, C.O.D., a bill of goods amounting to \$77.50. Drew on him at sight in my own favour, attached the draft to the bill of lading, endorsed both the draft and the bill of lading to the Imperial Bank, and left them with the bank for collection. The Imperial Bank collects the draft through the Bank of Toronto at Collingwood, each bank charging 10 cents exchange. On Nov. 9, the Imperial Bank reports the draft collected and credited, less exchange.

(a) Write the draft as it appears when handed to J. D. Simpson at Collingwood.

(b) Make my Journal entries.

2. Toronto, Nov. 5, 19— Sold to R. Miller, Kingston, C. O. D., less 3%, Mdse. \$127.40. Drew on him at sight in favour of the Bank of Nova Scotia, attached the draft to the bill of lading which I endorse to the bank, and left with the bank for collection. The Bank of Nova Scotia collects the draft through the Bank of Montreal at Kingston, each bank charging 15 cents exchange. On Nov. 12 the bank reports the draft collected and credited, less exchange.

(a) Write the draft as it appears when handed to R. Miller at Kingston.

(b) Make my Journal entries.

MONTHLY TRIAL BALANCE

In order to keep the books in balance, and avoid a tedious delay while the work of a long period is being searched for some error, it is found advisable to take a Trial Balance once a month. Books are prepared for the purpose, having columns for thirteen trial balances, so that the names need be written but once during the year. The last column is intended for use after the books have been closed, and before any of the work of the new year has been entered. In large houses separate ledgers are kept for the personal accounts, and adding machines are used to obtain the totals of the balances of these accounts, and these totals are then entered in the trial balance as "Accounts Receivable" and "Accounts Payable."

FORM OF MONTHLY TRIAL BALANCE

MONTHLY TRIAL BALANCE, JANUARY TO MARCH, 19—

FOLIO	LEDGER ACCOUNTS	JANUARY		FEBRUARY		MARCH	
		Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
1	Cash	1725		1101	10	644	10
2	Bills Receivable	1500		1220	10	1360	
3	Accounts Receivable	2650		1940		1870	
4	Mdse. Purchases	7500		8460		7960	
5	" Sales			10600	160	33	60
6	" Inventory	4000		4800		4650	
7	In-freight	75		92		86	40
8	Discount off Purchases			62	50		
9	" Sales	87	50	72	10	93	50
10	Rent	90				180	
11	Insurance	25		22	90		
12	General Expense	330		410		385	
13	Bills Payable			856		1630	
14	Accounts Payable			1770		980	
15	J. Frost (Cap. Acct.)			4500		4650	
FEBRUARY							
16	Office Furniture			225		210	
17	Interest and Discount			9	20	12	60
MARCH							
18	Bad Debts					125	
TOTALS		17782	50	17782	50	18512	40
1				18512	40	17782	30
1						17782	30

ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE ACCOUNTS IN THE GENERAL LEDGER—SELF-BALANCING LEDGERS

In Set II the balance of the Sales Ledger was entered in the trial balance as Accounts Receivable, and in the same way the balance of the Purchase Ledger was entered as Accounts Payable, and in this way the balance of the three ledgers was tested in the general trial balance. These balances might have been entered in Accounts in the General Ledger just as the cash totals were, and the General Ledger would then have balanced independently.

But the Accounts Receivable and Accounts Payable accounts may be made out without reference to the Sales and Purchase Ledgers. To do this, it is only necessary to obtain in totals what was posted to these ledgers by items, namely, the charges and credits.

Thus for the Sales Ledger the postings to the debit side will be the amount of the charge sales, and this total can be obtained from the sales book. The postings to the credit side will be all payments, discounts, and rebates on customers' accounts, and these amounts can be obtained from the Cash Book and the Rebates Credit book. If no Rebates Credit book is kept, then the rebates would have to be posted by items from the Journal; and in the same way, if notes and acceptances are received on customers' accounts these would have to be posted by items, unless a special column was provided in the Bill Book for them.

Hence the Accounts Receivable account in the General Ledger would require the following posting:

- (a) Credit Sales in total to the Debit of Accounts Receivable account.
- (b) Accounts Receivable, net, from the Cash Book total to Credit of Accounts Receivable account.
- (c) Cash Discount off Sales from Cash Book total to the Cr. side of Accounts Receivable account.
- (d) Rebates off Sales in total from Rebates Credit Book or by items from the Journal to the Cr. side of Accounts Receivable account.

(e) Notes received on account in total from the Bill Book or by items from the Journal or Bill Book, to the Cr. side of Accounts Receivable account.

That is, whatever was put into the Sales Ledger must also be posted, either by items or in totals, to the General Ledger, and on the same side as it was entered in the Sales Ledger. Where the posting is done by items, care should be taken to post to Accounts Receivable account at the same time as the entry is made in the Sales Ledger; and where it is done by totals, it should be entered in Accounts Receivable at the same time as it is posted to the other General Ledger account.

The posting for the Accounts Payable account would be the same as for Accounts Receivable, except that the amounts would all have reference to Creditors' accounts instead of to Customers' accounts.

When "Accounts Payable" and "Accounts Receivable" accounts are made out for the General Ledger in this way, they are called "Controlling" or "Adjusting" accounts.

The reverse of these accounts under the same name in the Purchase and Sales Ledgers would keep these Ledgers in balance independently. Such accounts are, however, seldom or never used.

Where posting to these Ledgers is done by bookkeeping machine, a so-called control account is kept, but it is rather a proof of posting than a proof account compiled from a different source.

When items for the control accounts cannot be collected by special column, they must be posted to these accounts separately, and the entry should be made to indicate the double posting. Thus if on May 19, A. Brown returns from a sale to him on May 2, goods worth \$10, the entry in the General Journal would appear:

35 Mdse. Sales	10	or	
1 Accounts Rec.....	10	|	35 Mdse. Sales
60 A. Brown	10	|	1/60 Accounts Rec. (A. Brown) 10

BILL BOOK AND CASH BOOK WITH SPECIAL

BILLS

No.	WHEN RECEIVED	L. F.	ACCOUNT CR.	REMARKS	PAYER	PAYABLE AT		BEGINS TO RUN	
						Place	Bank	Month	Year
1	Jan. 1		P. W. Miller	Investment	L. Moir			Dec.	19-
2	" 5		H. Hall	On acct.	H. Hall	Kingston	B. of M.	Jan.	19-
3	" 12		B. Receivable	Renewal No. 1	L. Moir			"	19-
4	" 17		P. Fisher	On acct.	P. Fisher	Peterboro	B. of C.	"	19-
*	" 15		Bills Rec.	Dr. 922.30					
			Accts. Rec.	Cr. 402.30					
			Sundry Accts.	Cr. 520.					

BILLS

No.	WHEN GIVEN	L. F.	ACCOUNT DR.	REMARKS	PAYEE	PAYABLE AT		BEGINS TO RUN	
						Place	Bank	Month	Year
1	Jan. 1		P. W. Miller	Investment	C. Hooper	Toronto	Dom.	Dec.	19-
2	" 5		R. Gray	On acct.	R. Gray	"	"	Jan.	19-
3	" 9		F. Jones	"	F. Jones	"	"	"	19-
*	" 15		Accounts Pay.	Dr. 223.70					
			Sundry Accts.	Dr. 185.					
			Bills Pay.	Cr. 408.70					

CASH

Dr.

Date	L. F.	Accounts Cr.	Explanation	Cash Dr.	Bank Dr.	Sundries Gen. Led. Cr.	Acct. Rec. Cr.	Disc. off Sales Dr.	R. Rec'e Cr.	Int. and Disc. Dr.	Int. and Disc. Cr.
May 1			On hand	220.00		220					
" 2			On deposit		4300	4300					
" 2		J. Mason	On account	310.00			320	9.60			
" 2		F. Willard	"	161.70		165		3.30			
" 2		R. Holmes	"	187.20		195		7.80			
" 2		B. R., B. Brown	"	79					77.50		
" 2		B. R., R. Davis	192.80		980.03				125	2.20	1.50
" 2		Deposit									
				1081.10	5340.03	4580	680	20.70	202.50	2.20	1.50
						680					
						202.50					
						1.50					
						35.05					
						4.50					
			Per contra								
			" "								
				1081.10	5340.03	5503.55					

COLUMNS FOR SELF-BALANCING LEDGERS

RECEIVABLE

TIME TO RUN	WHEN DUE						RATE	AMT. OF BILL	ACCOUNTS RECEIVABLE	DISPOSED OF	
	1 mo.	2 mo.	3 mo.	4 mo.	5 mo.	6 mo.				When	How
30 da.	1 st	12 th						\$60			
1 mo.	2 nd							320	320		
30 da.	2 nd	13 th						360			
20 da.	2 nd	6 th						82	30	82	30
								522	30	462	30

PAYABLE

TIME TO RUN	WHEN DUE												RATE %	AMT. OF BILL	ACCOUNTS PAYABLE	REDEEMED	
	Year	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov				When	How
30 da.	19—	17											185				
5 da.	19—	14											12	50	120	50	
1 mo.	19—	12											97	20	97	20	
													498	70	223	70	

CASH

ACCOUNTS RECEIVABLE							Cr.
Dr.							Cr.
19—							
Nov. 1		J.	744	29			
" 5		S.	641	85			
" 12		S.	638	*	15		
" 14		J.	98	22			
" 15		S.	289	25			
			289	02			
Nov. 15	Balance	L.	1354	45			

ACCOUNTS PAYABLE						
De:						Cr.
19—						
Nov.	1	.	.	.	J.	3 51
"	5	.	.	.	J.	8 93
"	15	.	.	.	C.	274 60
"	15	.	.	.	B.	520 36
"	15	Balance	.	.	L.	778 85
						1583 35
19—						
Nov.	1	.	.	.	J.	312 89
"	5	.	.	.	P.	357 39
"	12	.	.	.	P.	720 75
"	15	.	.	.	P.	192 50
						1583 35
						222 85

On pages 46 and 47 are given the form of Bill Book and Cash Book with ruling such as would be necessary to collect totals for the above accounts.

Note that in the Cash Book there are columns for Accounts Receivable and Accounts Payable, and that the discount columns have been placed beside the account columns to which they refer -Discount off Sales beside Accounts Receivable, etc.

Such debit columns on the debit side of the book and credit columns on the credit side of the book must be transferred as shown in the closing, in order to obtain a proof of the work and to provide for correct posting.

REMARKS ON THE FINANCIAL STATEMENT

The Trading side of the statement has already been dealt with page 21.

We have now to examine more closely the **Expense** side of the business and classify the items there.

We have now to examine more closely the "Expense side" of the business and classify the items there. A simple division of these is into (a) "SELLING EXPENSES," including all expenses incident upon putting the goods on the market and delivering them to the customer (b) "ADMINISTRATION AND GENERAL EXPENSES" including the cost of upkeep of the place of business and of carrying on the management

Each of these may be subdivided if necessary. Thus where the warehouse and delivery expenses are of sufficient relative importance, they may be placed under a heading apart from the selling expenses. Also where upkeep of the place of business assumes sufficient importance it may be separated from the Administration Expense. For an ordinary business the division into two parts would be sufficient.

Attention should also be given to the classification of the Assets and Liabilities in the balance sheet. The solvency of the business depends not alone on the Assets exceeding the Liabilities but also on the Assets being readily available.

To show this the Assets are divided into (a) QUICK OR CURRENT ASSETS including cash and all items in process of conversion into cash, as bills receivable, accounts receivable, and merchandise. (b) OTHER ASSETS including fixed assets such as real estate, and office furniture, and deferred charges such as rent paid in advance.

In like manner the liabilities should be grouped into (a) CURRENT LIABILITIES, including such as accounts payable and bills payable. (b) OTHER LIABILITIES, including such items as mortgag e payable.

By such an arrangement it may be shown at a glance whether there are Current Assets in proper proportion to Current Liabilities. The latter should not exceed 50% of the former.

R. D. HENDERSON & Co.

TRADING AND PROFIT AND LOSS STATEMENT FOR THE YEAR ENDING DEC. 31, 19--

TRADING						
	<i>Gross Sales</i>					44500
	<i>Less Rebates and Allowances</i>					937
100%	<i>Net Sales</i>					42563
	<i>On hand, Jan. 1</i>					6,500
	<i>Purchases for the year</i>				29250	
	<i>Less Rebates and allowances</i>				793	
					28457	
	<i>Add Duty</i>				279	
	<i>Freight inward</i>				450	729
	<i>Cost of goods bought</i>					29177
	<i>Total cost</i>					35427
	<i>Less on hand Dec. 31</i>					6450
68.20%	<i>Cost of goods sold</i>					29027
	<i>Gross Trading Profit</i>					13536
	<i>Rate % on cost of goods sold</i>				46.63%	
	<i>" " net sales</i>				31,800	
PROFIT AND LOSS						
	<i>Gross Trading Profit</i>					13536
EXPENSES						
	<i>Selling Expenses:</i>					
	<i>Horse and Wagon</i>				115	
	<i>Advertising</i>				270	
	<i>Travelling Expenses, Salesmen</i>				7.5	
6.83	<i>Salaries, Salesmen</i>				1810	
	<i>Freight outward</i>				18	
						2008
	<i>Administration and General Expenses</i>					
	<i>Taxes</i>				425	
	<i>Insurance</i>				130	
	<i>Depreciation, Furniture and Fixtures</i>				145	
	<i>Light and Fuel</i>				365	
	<i>Rent</i>				1600	
	<i>Office Salaries</i>				2300	
	<i>Office Expenses</i>				240	
	<i>Cash Discount</i>				145	
	<i>Interest and Discount</i>				135	
14.54	<i>Bad Debts and Appropriation therefor</i>				805	
						6790
10.43	<i>Net Profit for the year</i>					9098
100.00						4438

EXHIBIT B

NOTE.—As explained on page 21 the interest and discount and cash discount may be omitted from the Administration Expenses, and the Operating profit would then appear as \$4718, the gain irrespective of available capital. Then deduct from this the cost of capital \$280 and obtain the net profit for the year as above.

		R. D. HENDERSON & Co.	
BALANCE SHEET, DEC. 31, 19—			
		ASSETS	
<i>Cash, on hand</i>	-	175	
" on deposit in Bank	-	3410	
<i>Bills Receivable</i>	-	1275	
<i>Accounts Receivable</i>	-	14848	
Less Appropriation for Bad Debts	650	14198	
<i>Merchandise on hand, Dec. 31</i>	-	6450	
<i>Quick Assets</i>	-		25508
<i>Horse and Wagon</i>	-	329	
<i>Furniture and Fixtures</i>	-	960	
Less Depreciation	45	915	
<i>Coal on hand</i>	-	75	1310
<i>Total Assets</i>	-		26818
		LIABILITIES	
<i>Bills Payable</i>	-	1705	
<i>Interest accrued on above</i>	-	10	
<i>Accounts Payable</i>	-	6165	
<i>Net Capital</i>	-		18938
<i>R. D. Henderson, Net Capital</i>	-	10144	
<i>H. M. Gibson, Net Capital</i>	-	8794	18938

EXHIBIT A

NOTE.—Summaries of the Capital Account should be prepared to show how the above Capitals are obtained. Such Summaries should be attached as schedules to the General Statement, rather than incorporated in it. The Balance Sheet would be designated "Exhibit A," the Profit and Loss Statement "Exhibit B," the supporting schedules, "EXHIBIT A, Schedule 1,"

"EXHIBIT A, Schedule 2," etc.

In opening the books for Set III, a Balance Sheet should be prepared in condensed form with supporting schedules for Accounts Receivable and Payable, also Bills Receivable and Payable. Opening entries should then be made from these, not from the printed data in the text.

EXERCISES

1. Rule a Cash Book with special columns on the Dr. side for Accounts Receivable, Cash Disc. Dr. and Bank Dr., and on the Cr. side for Accounts Payable, Cash Disc. Cr. and Bank Cr., and enter the following transactions :

Jan. 2. J. Inglis continues business with Cash on hand \$225, and in the Bank of Commerce \$4260.

4. Paid rent for Jan. by cheque \$70.

Paid Jas. Arthur for his bill of Dec. 26, \$270, less 3%, and T. Mitchell for his bill of Dec. 27, \$330 less 3%, both by cheque.

Discounted A. Robinson's note (No. 1) at the bank. Face of the note \$130, discount \$3, proceeds deposited.

Received from C. Cowan his cheque for bill of Dec. 28, \$210, less 4%, and from D. Clark his cheque for bill of Dec 15, \$115.

6. Paid Gas bill in cash, \$15.60, and Freight bill by cheque, \$27.70.
 Received from W. White his cheque for the bill of Jan. 3, \$335, less 2%, and from J. Reid his cheque for the bill of Jan. 2, \$175, less 4%.
 Paid Insurance premium by cheque, \$35, and for stamps in cash, \$4.50.
 Deposited all cheques on hand, exchange 85c.
 Close the Cash Book and bring down the balances. Show the entries properly checked as when posted.

8. Prepaid by cheque my note favour T. Bain, \$122, less discount for unexpired time $\frac{1}{2}\%$.
 Issued cheques to G. Sawyer for bill of Jan. 3, \$320, less 4%, and to F. Wood for bill of Dec. 28, \$260, less 3%.
 Received from S. Bell his cheque for the bill of Jan. 2, \$120, less 3%, and from R. Hamilton his cheque for the bill of Jan. 5, \$84, less 2%.
 Paid Telephone bill by cheque, \$35.

12. Paid by cheque my note favour D. Robins, \$160, and interest \$5.
 Paid F. Bennett for repairs by cheque, \$25. Paid in cash a bill for cartage, \$4.80.
 D. James paid his note due to-day in cash, face \$133, interest \$1.50.
 J. Morris settled his account by cheque, \$126, less discount 82.20.
 Received from D. Henderson his cheque in full of his account, \$226, less disc. 3%.
 Paid my account favour S. Armstrong, \$330, less $2\frac{1}{2}\%$, by cheque.
 Deposited all cheques on hand, exchange $\frac{1}{2}\%$, but not less than 10 cents on any cheque.
 Close the Cash Book and bring down balances. Post to General Ledger and take off a Trial Balance.

2. Rule a Cash Book with special columns on the Dr. side for Accts. Receivable, C. Disc. Dr., B. Rec. Cr. and Bank Dr., and on the Credit side for Accts. Payable, C. Disc. Cr., Expense Dr. and Bank Cr., and enter the following transactions:

Feb. 1. P. W. Evans continues business with cash on hand \$160, and in the Dominion Bank \$3560.

4. Issued the following cheques: to D. Baker & Co. for bill of Jan. 29, \$220, less 3%; J. Lane for bill of Jan. 26, \$340, less 5%; R. Bell for bill of Jan. 30, \$165, less 2%.

Received cheques as follows: A. Wilson for bill of Jan. 27, \$80, less 2%; G. Thompson for bill of Jan. 29, \$130, less 3%; R. Goss for his note due to-day, \$75, and interest on the same \$1.15; F. Forest for his note due to-day, \$135.60.

Paid by cheque my note No. 1, favour W. Bain, due to-day, \$260, and interest \$2.50.
 Paid rent, by cheque, \$75; Insurance premium, by cheque, \$23.50; Coal bill, by cheque, \$44.20; petty expenses, in cash, \$10.50. Deposited all cheques on hand, exchange $\frac{1}{2}\%$.

6. Received cheques as follows: D. Christie for bill of Jan. 30, \$275, less 3%; D. Cameron for bill of Feb. 1, \$160, less 5%; J. Clark for his note, \$75, less disc. \$1.
 Paid by cheque the following bills: M. Davidson, bill of Jan. 31, \$220, less 3%; R. Wheeler, bill of Feb. 1, \$130, less 2%; D. Jones for Advertising, \$13.50.
 Paid in cash for cartage, \$4.20; Horse keep, \$9.20. Deposit all cheques on hand, exchange $\frac{1}{2}\%$.

8. Paid by cheque the following bills: J. Wells, bill of Feb. 3, \$170, less 3%; G. Crosby, bill of Feb. 6, \$115, less 2%; T. Miller for repairs to warehouse, \$13.60.
 Discounted C. Reid's note at the bank, face \$155, disc. \$3, proceeds credited.

9. Received the following cheques on account: for G. Kemp's acct., \$80, less disc., \$3; R. Gurney's acct., \$92, less disc. \$4.

Compromised with C. Dill for note of Dec. 2, \$65: received his cheque for \$40 in full settlement. Paid for stamps and stationery in cash, \$6.40. Close the Cash Book. Post and take Trial Balance.

3. Turn back to Set II and collect data for Accounts Receivable and Accounts Payable accounts at Trial Balance dates.

4. Inventories may be supplied for the Trial Balances, page 44, to provide further practice if desired.

5. (a) TRIAL BALANCE

Cash	7699
Bills Receivable	6420
Accts. Receivable	18560
Mdse. on hand Jan. 1	10000
Mdse. Purchases	<u>36500</u>
Mdse. Sales	<u>42400</u>
Rebates off Purchases	330
Discount off Purchases	245
Discount off Sales	375
In-Freight	<u>1260</u>
Rent	2550
Insurance	330
Office Salaries	3460
Office Furniture	2120
Travelling Expenses	<u>1130</u>
Bad Debts	424
Interest and Discount	112
Bills Payable	8650
Accts. Payable	7560
J. Frost (Cap.)	15000
G. Elliott (Cap.)	12500
J. Frost (Priv.)	375
G. Elliott (Priv.)	415
	<u>86720</u>
	<u>86720</u>

INVENTORIES

Mdse. on hand Dec. 31	<u>15250</u>
Rent paid in advance	250
Insurance unearned	60
Office Salaries due	120
Office Furniture worth	1900

Allow each partner a salary of \$120 a month, and divide the remaining gain or loss in proportion to capital invested.

1. Make out Trading Account, Profit and Loss Account, Summary of Cap. Accts., and Balance Sheet.
2. Find Gain or Loss per cent. on Mdse. (a) On Net Sales. (b) On Cost of Goods Sold.
3. Show the percentage of Expenses and of Net Profits on the Net Sales.
4. Group the Assets as, (a) Assets immediately available. (b) Assets not immediately available.

(b) TRIAL BALANCE

Cash	8547
Bills Receivable	1770
Accts. Receivable	9650
Mdse. on hand Jan. 1	6500
Mdse. Purchases	<u>15000</u>
Mdse. Sales	<u>18500</u>
Discount off Purchases	225
Discount off Sales	195
Rebates off Purchases	175
Rebates off Sales	160
In-Freight	1220
Insurance	340
Rent	1950
Office Furniture	1260
Salaries of Salesmen	3120
Delivery	255
Interest and Discount	126
Bills Payable	3580
Accts. Payable	9960
D. Moore (Cap.)	10000
E. Leonard (Cap.)	8000
D. Moore (Priv.)	225
E. Leonard (Priv.)	237
	<u>50555</u>
	<u>50555</u>

INVENTORIES

Mdse. on hand Dec. 31	<u>6750</u>
Rent due	150
Office Furniture worth	1000
Interest due on Bills Payable	15

Allow each partner 5% per annum interest on Capital invested, and divide the remaining gain or loss equally.

SET III

JOBBING FURNITURE

SPECIAL FEATURES.—Practice on the use of drafts. The use of the Bill Book as a Principal Book. The monthly Trial Balance. C.O.D. Account. General Ledger Self-balancing. See pages 37 to 45.

INSTRUCTIONS

(a) **BOOKS TO BE USED.** General Journal, Purchase Journal (Register), Sales Journal, Cash Journal, Bill Journal, General Ledger, Sales Ledger, Purchase Ledger.

(b) The Cash Book is to be ruled with special columns as in the illustration page 46, or the interest columns may be omitted if desired.

(c) In posting to all personal accounts, enter terms of purchase or sale, and on the opposite side of the account enter charges or credits, whether discount, rebate, cash, note at — da., etc.

(d) The Bill Book is to be used as a principal book. Post from it to contra accounts in the Ledger, but also open Ledger accounts for Bills Receivable and Bills Payable, and post totals only to these accounts.

Post the Freight directly to the Mdse. Purchases account.

Take off a Trial Balance at the end of each week during the first month, and after closing the books. In the second month take the Trial Balance at the end of the half-month as indicated.

DIRECTORY

Abbott, A. W., Port Hope.

Andrews, M., Kincardine.

Dixon, J., Brighton.

Dominion Furniture Manufacturers, Toronto.

Gordon, K., Peterborough.

Gough, C. H., Hastings.

Hammond, W. J., Trenton.

Johnston, D. E., Neepawa.

Malcolm, W. C., Belleville.

Mundell, A. C., Ashburnham.

McKinnon & Cole, Woodstock.

Oliver, J. S., Norwood.

Rhodes, James, Fraser.

Rogers, C. D., Lakefield.

Sanford & Co., Chas., Harriston.

Steele, W. H., Havelock.

Thompson Furniture Co., The,

Ingersoll.

Waldron, R., Lindsay.

Walker, R. M., Havelock.

All others, Peterborough.

LEDGER LINES

SALES LEDGER.—Four pages. **PURCHASE LEDGER.**—Two pages. Four accounts on a page as in Set II.

GENERAL LEDGER.—Open accounts as follows, three on a page, except as otherwise directed: Accounts Receivable, Bills Receivable, Accounts Payable, Bills Payable, R. J. Stephen (Cap. Acct.), R. J. Stephen (Priv. Acct.), D. M. Warner (Cap. Acct.), D. M. Warner (Priv. Acct.), Merchandise Purchases (1 p.), Merchandise Inventory (1 p.), Merchandise Sales ($\frac{1}{2}$ p.), Salaries ($\frac{1}{2}$ p.), Expense (1 p.), Office Furniture, Interest and Discount, Horse and Wagon, Bad Debts, Loss and Gain ($\frac{1}{2}$ p.).

Peterborough Nov. 1, 19—. R. J. Stephen and D. M. Warner are partners in a Jobbing Furniture business at 77 George St., under the firm name of Stephen and Warner. By their agreement each receives a salary of \$100 a month, and they then share net gains and losses in proportion to

capital invested, $\frac{2}{3}$ of which belongs to Stephen, $\frac{1}{3}$ to Warner. The store is rented from D. K. McLaren at \$90 a month, payable in advance. You are engaged as bookkeeper at \$12.50 a week: you are furnished with the following data and directed to open a set of new books to be kept by Double Entry. Mdse. on hand, \$1644.35; Cash on hand, \$200; Cash on deposit, \$800; a draft drawn on C. D. Rogers, Oct. 5, at 30 da., for \$78.50; a draft drawn on James Rhodes, Oct. 7, at 30 da., for \$92.10. Accounts Receivable: K. Gordon, \$125.60; C. D. Rogers, \$77.60; J. S. Oliver, \$166.20; A. C. Mundell, \$98.60; W. J. Hammond, \$88.70; R. Waldron, \$115.30; James Rhodes, \$69.20. Bills Payable: No. 1, a draft favour C. Sanford & Co., Oct. 2, at 1 mo., for \$215.60; No. 2, a draft favour M. Andrews, Oct. 10, at 30 da., for \$166.20. Accounts Payable: favour the Dominion Furniture Manufacturers, \$175.60, and the Thompson Furniture Co., \$137.20. Prepare a Balance Sheet for the firm with Schedules of Accounts and Bills.

Make the necessary opening entries, post, and take off a Trial Balance.

2. Engaged Mary Walker as stenographer at \$7.50 a week.

Bought from the Canada Furniture Co. an invoice of Office Furniture, \$47.50. Gave cheque in payment.

Paid the rent for November by cheque.

Sold to K. Gordon, $\frac{3}{10} \text{ or } \frac{1}{2} \text{ rd}$, 6 Arm Chairs #381, @ \$3.85; 15 Dining Room Chairs #38, @ \$2.50; 4 Kitchen Cupboards @ \$7.50.

3. Paid insurance premium by cheque, \$16.85.

Drew the following drafts: on K. Gordon at 30 da. from Oct. 21 for bill of that date, \$125.60; on C. D. Rogers at 20 da. from Oct. 23 for bill of that date, \$77.60; on J. S. Oliver at 30 da. from Oct. 22 for bill of that date, \$166.20; on A. C. Mundell at 10 da. from Nov. 1 for the balance of his acct., \$98.60; on James Rhodes at 15 da. from Nov. 1 for the balance of his acct., \$69.20.

Discount the drafts on J. S. Oliver and on K. Gordon at the bank at 7%, proceeds deposited, and leave the other drafts at the bank for collection. Enter all in the Bill Book.

Sold to C. D. Rogers, 20 da., 4 Bedroom Suites #272, @ \$15.95; 10 Spring Mattresses #2, @ \$3.20.

Sold to W. C. Malcolm on acct., 4 Chiffoniers #191, @ \$15.70; 6 China Cabinets #25, @ \$21.50.

4. Received from M. Andrews, an invoice of Mdse., Nov. 2, $\frac{2}{10} \text{ or } \frac{1}{2} \text{ rd}$, \$357.30.

Accepted the Dominion Furniture Manufacturers' draft at 10 da. from Oct. 28 for the amount of the bill of that date, less 2%, \$175.60.

Sold J. S. Oliver, sight draft in 5 da., less 3%, 3 Brass Bedsteads #201, @ \$24.75; 6 Spring Mattresses #2, @ \$3.20; 4 Morris Reclining Chairs #145, @ \$6; 4 Music Cabinets #49, @ \$9.

5. Bought from C. R. Henry, a horse, harness, and delivery wagon for \$375. Gave cheque in payment. Engaged Wm. Harvey as driver at \$10 a week. He begins work on Monday, the 7th.

Sold to W. J. Hammond on acct., 6 Combination Mattresses #K7, @ \$4.20; 2 Oak Wardrobes #308, @ \$22; 3 Oak Dressers #301, @ \$7.

Accepted, payable at our bank, M. Andrews' draft favour the Imperial Bank, Kincardine, at 10 da. from Nov. 2 for the bill of that date, less discount.

Remitted to C. Sanford & Co., a bank draft purchased by cheque for the amount of our acceptance in their favour due to-day. Exchange $\frac{1}{2}\%$.

Deposit all cheques on hand. Close Cash Book. Post up to date, including totals in special books and in special columns. Arranged with the bank for an overdraft not to exceed \$1300.

7. Received from C. D. Rogers, his cheque for the amount of his acceptance due to-day.

Remitted to the Thompson Furniture Co., a cheque for the amount of their bill of Oct. 29, \$137.20, less $2\frac{1}{2}\%$.

Sold to R. Waldron, ³/₁₀, ¹/₃₀, 6 Jardiniere Stands, #391, @ \$1.20; 4 Morris Rockers, #791, @ \$7.20; 4 Parlour Tables, #458, @ \$5.60; 6 Rattan Rockers, #R46, @ \$3.85.

Sold to James Hall, Trenton, C.O.D., 4 Oak Bookcases, #338, @ \$7.50; 4 Writing Desks, #67, @ \$6.75. Charge this to the C.O.D. acct. in the Sales Ledger.

8. Received from Chas. Sanford & Co., an invoice of Mdse., Nov. 5, sight draft in 5 da., less 3%, \$135.40. Paid J. Clark by cheque, for repairs done to the warehouse, \$25.50.

Sold to W. C. Malcolm on acct., 2 Oak Sideboards, #375, @ \$25.80; 2 Oak Dining Tables, #374, @ \$7.20.

Sold to A. C. Mundell, ³/₁₀, ¹/₃₀, 3 Kitchen Cupboards, #571, @ \$8.50; 4 Kitchen Cabinets, #302, @ \$14.50; 6 Kitchen Tables @ \$2.35.

9. Received from James Rhodes, a cheque for the amount of his acceptance due to-day. Paid Freight bill to date by cheque, \$25.20.

R. J. Stephen and D. M. Warner each withdrew cash \$20.

Sold to W. J. Hammond on acct., 2 Child's Brass Cots, #207, @ \$10.15; 2 Davenport Sofa Beds, #99, @ \$22; 4 Oak Washstands, #302, @ \$3.10.

Received from the Dominion Furniture Manufacturers, an invoice of Mdse., Nov. 8, ²/₁₀, ¹/₃₀, \$435.70. The bank presents C. Sanford's sight draft for bill of the 5th, less 3%. We pay the draft by cheque. Drew on J. S. Oliver at sight for the bill of the 4th and left with the bank for collection. Make no Cash Book entry till the bank reports collection.

10. Sold to K. Gordon, ³/₁₀, ¹/₃₀, 2 Oak Buffets, #351, @ \$27; 2 Parlour Cabinets, #470, @ \$9.25. Remitted to M. Andrews, a bank draft purchased by cheque for the amount of our acceptance due on the 12th. Exchange $\frac{1}{2}\%$.

Paid by cheque our acceptance favour the Dominion Furniture Manufacturers, due to-day.

11. Received from the Thompson Furniture Co. an invoice of Mdse., Nov. 9, $2\frac{1}{10}$, $\frac{1}{20}$, \$149.65. The Express Company has handed us an E.M.O. for the amount of our C.O.D. shipment on the 7th to James Hall, less collection charges 25 cents.

Received from K. Gordon, a cheque for the amount of our sale to him on the 2nd, less discount.

Sold to R. Waldron, ³/₁₀, ¹/₃₀, 2 Parlour Suites, #454, @ \$20.50; 6 Morris Reclining Chairs, #145, @ \$6.

Sold to C. D. Rogers, S/D in 5 da., less 3%, 6 Arm Chairs, #38, @ \$3.85; 4 Morris Reclining Chairs, #145, @ \$6; 4 Rattan Rockers, #R46, @ \$3.85.

12. The bank reports the draft drawn on J. S. Oliver on the 9th collected: proceeds credited, less exchange $\frac{1}{2}\%$.

Sold to W. C. Malcolm on acct., 2 Oak Dressers, #301, @ \$7; 2 Oak Washstands, #302, @ \$3.10; 3 Music Cabinets, #49, @ \$9.

Deposit all cheques on hand. Close the Cash Book. Post up to date.

14. Sold to J. S. Oliver, ³/₁₀, ¹/₃₀, 2 Oak Wardrobes, #398, @ \$22; 2 Oak Sideboards, #375, @ \$25.80; 3 Parlour Cabinets, #470, @ \$9.25; 2 Davenport Sofa Beds, #99, @ \$22.

A. C. Mundell sends us a marked cheque for \$75 on his acceptance due to-day, and asks us to draw on him at 30 da. from the 8th, for the amount of the bill of that date, and to include the balance of the acceptance due to-day and interest on this balance at 7% for the time still to run in the new draft. We consent to this arrangement and draw the draft accordingly.

15. Paid a Telephone Bill in cash, \$3.50.

Received from C. D. Rogers, his cheque for the amount of his acceptance due to-day.

Received from Chas. Sanford & Co., an invoice of Mdse., Nov. 12, S/D in 5 da., less 3%, \$192.50. Paid by cheque our acceptance favour M. Andrews due to-day.

Sold to K. Gordon, $\frac{3}{10}, \frac{2}{30}$, 2 Parlour Suites, # 454, @ \$20.50; 3 Chiffoniers, # 191, @ \$15.70.
 Sold to W. J. Hammond on acct., 4 Iron Bedsteads, # 137, @ \$5.25; 4 Spring Mattresses, # 2, @ \$3.20. Post, take Trial Balance, prepare statement, close the books. Inventories page 3.

16. Paid the Dominion Furniture Manufacturers by cheque for bill of the 8th, less discount. The bank presents C. Sanford & Co.'s sight draft for their bill of the 12th, less discount. We pay it by cheque.
 Received from R. Waldron, his cheque for the amount of the bill of the 7th, less $\frac{3}{2}$.
 Drew at sight on C. D. Rogers for the amount of the bill of the 11th, less discount, and left with the bank for collection.
 Drew on W. C. Malcolm at 15 da. from Nov. 15 for the amount of his purchases on the 3rd, 8th, and 12th; also on W. J. Hammond at 15 da. from Nov. 15 for the amount of his purchases of the 5th, 9th, and 15th, and left the drafts with the bank for collection.
 Paid freight bill to date by cheque, \$9.30.
 Sold to W. H. Steele, S D, with B/L, 2 Bedroom Suites, # 272, @ \$15.95; 2 China Cabinets, # 25, @ \$21.50; 4 Morris Reclining Chairs, # 145, @ \$6; 6 Rattan Rockers, # R46, @ \$3.85; 6 Arm Chairs, # 381, @ \$3.85. We drew on him at sight for the amount of this sale, attached the sight draft to the bill of lading, and left it with the bank for collection. The goods are shipped by freight. Charge this to W. H. Steele through the C.O.D. account.
 Paid all salaries to date in cash. Charge to salaries account.

17. Sold to A. C. Mundell, $\frac{3}{10}, \frac{2}{30}$, 3 Brass Bedsteads, # 201, @ \$24.75; 5 Spring Mattresses, # 2, @ \$3.20; 4 Dining Tables, # 374, @ \$7.20; 18 Dining Room Chairs, # 38, @ \$2.50. Remitted to the Thompson Furniture Co., a bank draft, purchased by cheque, for the bill of the 9th, less discount. Exchange $\frac{1}{2}\%$.

18. Paid in cash R. Gibson's bill for horsefeed: 1 ton Hay, \$15.20; 10 bu. Oats @ 45c.
 Sold to W. C. Malcolm on acct., 2 Writing Desks, # 67, @ \$6.75; 3 Parlour Tables, # 458, @ \$5.60. Received from M. Andrews, an invoice of Mdse., Nov. 16, $\frac{2}{10}, \frac{2}{30}$, \$311.05. James Rhodes paid by cheque his acceptance due to-morrow.
 We have just received notice that A. C. Mundell has failed, and we at once request the Railway Co. not to deliver the goods shipped to him yesterday.

19. Received from the Dominion Furniture Manufacturers, an invoice of Mdse., Nov. 18, $\frac{2}{10}, \frac{2}{30}$, \$260.55.
 The bank reports the draft on C. D. Rogers of the 16th collected, and proceeds credited, less exchange 10 cents; also the amount of the C.O.D. sale to W. H. Steele of the same date collected and credited, less exchange $\frac{1}{2}\%$.
 Sold to R. Waldron, $\frac{3}{10}, \frac{2}{30}$, 4 Buffets, # 351, @ \$27.
 Sold to C. D. Rogers, S/D in 5 da., less $\frac{3}{2}$, 2 Oak Sideboards, # 375, @ \$25.80; 2 Dining Tables, # 374, @ 7.20; 18 Dining Room Chairs, # 38, @ \$2.50.
 Deposit all cheques on hand.
 Post, close the Cash Book.

21. Received from K. Gordon, his cheque for the amount of the sale of the 10th, less discount. Accepted the Dominion Furniture Manufacturers' draft at 10 da. from Nov. 18, for the amount of the bill of that date, less discount.
 The Railway Co. has delivered to us the goods shipped on the 17th to A. C. Mundell. We pay the freight bill by cheque, \$12.50. Charge this to Mdse. Sales.
 Sold to W. J. Hammond on acct., 2 Music Cabinets, # 49, @ \$9; 6 Jardiniere Stands, # 391, @ \$1.20.

22. Received from R. Waldron, his cheque for the amount of the sale of the 11th, less discount.
 Sold to J. S. Oliver, $\frac{3}{10}$, $\frac{1}{30}$, 2 Morris Rockers, # 791, @ \$7.20; 4 Arm Chairs, # 381, @ \$3.85;
 2 Oak Buffets, # 351, @ \$27; 3 Rattan Rockers, # R46, @ \$3.85.

Received from Chas. Sanford & Co., an invoice of Mdse., Nov. 19, S D in 5 da., less 3%, \$320.80.
 23. Drew on C. D. Rogers at sight for the net amount of the sales of the 3rd and 19th, less discount on
 the bill of the 19th. The bank accepts the draft on deposit, exchange 25 cents.

R. J. Stephen and D. M. Warner withdrew each \$35 by cheque.

Sold to K. Gordon, $\frac{3}{10}$, $\frac{1}{30}$, 4 Oak Wardrobes, # 308, @ \$22; 3 Music Cabinets, # 49, @ \$9.

Paid freight bill to date by cheque, \$22.40.

Received from J. S. Oliver, his cheque for the amount of the sale of the 14th, less discount.

At a meeting of the creditors of A. C. Mundell it was agreed to accept 40 cents on the dollar.

Charge the acceptance we hold against him to his account, and write off 60 per cent. of the
 account, charging it to Loss and Gain.

NOTE.—This may be charged to Bad Debts account if desired.

The bank presents Chas. Sanford's sight draft for the amount of the invoice of the 19th, less
 discount.

24. Received from the Thompson Furniture Co., an invoice of Mdse., Nov. 23, $\frac{2}{10}$, $\frac{1}{30}$, \$140.
 Paid the City Coal Co. by cheque for 2 tons Coal @ \$7.
 Received from K. Gordon, his cheque for the amount of the sale of the 15th, less discount.
 Sold to W. C. Malcolm on acct., 4 Book Cases, # 338, @ \$7.50; 7 Arm Chairs, # 381, @ \$3.85;
 5 Morris Reclining Chairs, # 145, @ \$6.

25. Sold to W. Hodgson, Tweed, C.O.D., 3 Iron Bedsteads, # 137, @ \$5.25; 5 Combination Mattresses,
 # K7, @ \$4.20; 2 Parlour Cabinets, # 470, @ \$8.25; 4 Parlour Tables, # 458, @ \$5.10.
 Sold to J. Dixon, Brighton, C.O.D., 3 Oak Dressers, # 301, @ \$6.25; 5 Oak Dining Tables, # 374,
 @ \$7.20; 7 Rattan Rockers, # R46, @ \$3.85; 4 Music Cabinets, # 49, @ \$9.
 Drew on W. Hodgson and J. Dixon for the amount of the foregoing sales, attached the drafts to
 the bills of lading and left them with the bank for collection.

26. Sold to R. Waldron, $\frac{3}{10}$, $\frac{1}{30}$, 2 China Cabinets, # 25, @ \$21.50; 2 Chiffoniers, # 191, @ \$15.70.
 Deposit all cheques on hand. Post up to date. Close the Cash Book.

28. Sold to W. J. Hammond on acct., 3 Writing Desks, # 67, @ \$6.75; 5 Morris Reclining Chairs,
 # 15, @ \$6.

Sold to K. Gordon, $\frac{3}{10}$, $\frac{1}{30}$, 7 Parlour Tables, # 458, @ \$5.60; 9 Jardiniere Stands, # 391, @ \$1.20.

29. Sold to W. C. Malcolm on acct., 2 Oak Wardrobes, # 308, @ \$22; 5 Morris Rockers, # 791,
 @ \$7.20.

Received from the Dominion Furniture Manufacturers, an invoice of Mdse., Nov. 26, $\frac{2}{10}$, $\frac{1}{30}$, \$145.

Accepted their draft at 10 da. from Nov. 26 for the amount of the bill, less discount.

30. We have to-day received a marked cheque for 40 cents on the dollar, in full of our account with
 A. C. Mundell as per agreement of creditors. Close his account.

Received from R. Waldron, his cheque for the amount of the sale to him on the 19th, less discount.
 The cheque is a day late, but we allow the discount.

Paid by cheque the bill of "The Peterboro Times" for advertising for the month, \$14.60.

The bank reports that the drafts on Hodgson and Dixon on the 25th have been collected and
 credited, less exchange.

Paid salaries to date by cheque.

Paid freight bill to date, \$8.25, in cash.

Credit the partners with their salary for the half-month in their private accounts, and charge to Salaries Acct.

Deposit all cheques on hand. The bank charges \$3 interest on the overdraft.

Post up to date. Close the Cash Book. Take a Trial Balance. Make out the Financial Statements.

Close the books, bringing down all balances ready to begin the work of the next month, then take another Trial Balance. Close Loss and Gain Account to the Private Account. Close the Private Accounts and bring down the balances.

INVENTORIES

Mdse. on hand, \$1514.35; Horse and Wagon, \$360; Office Furn., \$45; Ins. paid in advance, \$15.45.

RESULTS

Gross Profit, Nov. 15, \$42.11; Nov. 30, \$44.03. Net Loss, Nov. 15, \$198.92; Nov. 30, \$301.41. Net Capital, Nov. 15, \$2722.63; Nov. 30, \$2451.22. Cash Balance, Nov. 15, \$599.75; Nov. 30, \$355.78. Bank overdraft, Nov. 15, \$484.23; Nov. 30, \$310.04.

TRANSACTIONS FOR DECEMBER

December 1. Issued statements of account to W. C. Malcolm and W. J. Hammond, and drew on them at 15 da. from Dec. 1 for the balance due. Discounted the drafts at the bank at 7%, proceeds credited. Enter through the Bill Book. Paid the rent for December by cheque.

Paid by cheque the Dominion Furniture Manufacturers' draft for the bill of the 18th, due to-day.

Remitted to the Thompson Furniture Co. a bank draft purchased by cheque for the amount of their bill of Nov. 23, less discount. Exchange $\frac{1}{8}\%$.

Each partner deposits \$500 as an addition to his investment.

Sold to C. D. Rogers, $\frac{3}{10}$, $\frac{2}{30}$, 12 Arm Chairs, #381, @ \$3.85; 3 Chiffoniers, #191, @ \$15.70; 4 Kitchen Cupboards, #571, @ \$8.50.

2. Sold to J. S. Oliver, draft at 15 da., less 1%, 6 Morris Reclining Chairs, #145, @ \$6; 4 Oak Dressers, #301, @ \$7.

3. Received from M. Andrews, an invoice of Mdse., Nov. 29, $\frac{21}{10}$, $\frac{2}{30}$, \$252.20.

Drew on J. S. Oliver at 30 da. from Nov. 22 for the amount of the bill of that date, and left with the bank for collection.

Paid J. Henderson & Co. by cheque for a bill of stationery, \$15.60.

Post up to date, but do not post totals nor close the Cash Book.

5. The bank reports the drafts on W. C. Malcolm and W. J. Hammond, Nov. 15, collected and credited, less exchange $\frac{1}{8}\%$.

Sold to R. Waldron, $\frac{3}{10}$, $\frac{2}{30}$, 2 Parlour Suites, #454, @ \$20.50; 4 Oak Sideboards, #375, @ \$25.80; 6 Jardiniere Stands, #391, @ \$1.20; 24 Dining Room Chairs, #38, @ \$2.50.

Drew on J. S. Oliver at 15 da. from Dec. 2 for the bill of that date, less 1%, and left the draft with the bank for collection.

6. C. D. Rogers has returned 4 of the Arm Chairs from his purchase of the 1st, and we give him credit. Charge Mdse. Sales through the General Journal.

Sold to K. Gordon, draft at 15 da., less 2%, 2 Bedroom Suites, #272, @ \$15.95; 4 Brass Bedsteads, #201, @ \$24.75; 7 Morris Rockers, #791, @ \$7.20.

Received from R. Waldron, cheque for the amount of the sale to him Nov. 26, less discount.

7. Received from the Thompson Furniture Co. an invoice of Mdse., Dec. 3, draft at 15 da., less 2%, \$177.50.

Paid freight bill to date by cheque, \$12.25.

Received from K. Gordon, his cheque for the amount of his purchase of Nov. 28, less discount.

8. Sold to D. E. Johnston, $\frac{3}{10}, \frac{1}{30}$, 6 Arm Chairs, # 381, @ \$3.85; 1 Morris Reclining Chairs, # 145, @ \$6; 3 Morris Rockers, # 791, @ \$7.20; 5 Rattan Rockers, # 350, @ \$3.85.
Drew on K. Gordon at 30 da. from Nov. 23 for the amount of the bill of that date, also at 15 da. from Dec. 6 for the amount of the bill of that date, less $2\frac{1}{2}\%$, and left both drafts with the bank for collection.
- Accepted the Thompson Furniture Co.'s draft at 15 da. from Dec. 3 for the amount of the bill of that date, less discount.
9. Paid by cheque our acceptance favour the Dominion Furniture Manufacturers, due to-day.
Upon unpacking the furniture received from the Thompson Furniture Co. on the 7th, 4 Parlour Tables were found to be defective, and we have returned them and charged them to their account at invoice price, \$5.10 each. Credit Mdse. Purchases.
- Sold to W. J. Hammond on acct., 2 Davenport Sofa Beds, # 99, @ \$25; 4 Oak Wardrobes, # 302, @ \$3.10; 2 Sideboards, # 375, @ \$25.80; 2 Writing Desks, # 67, @ \$6.75.
10. Received from Chas. Sanford & Co., an invoice of Mdse., Dec. 6. \$8 D in 5 da., less $3\frac{1}{2}\%$, \$127.70.
Deposit all cheques on hand. Post up to date, but do not post totals nor close the Cash Book.
12. Received from C. D. Rogers, his cheque for the amount of his bill of Dec. 1, less returns and $3\frac{1}{2}\%$ discount on the remainder of the bill.
Sold W. C. Malcolm on acct., 4 Jardiniere Stands, # 391, @ \$1.20; 5 Rattan Rockers, # R46, @ \$3.85; 3 Parlour Cabinets, # 470, @ \$9.25; 3 Oak Wardrobes, # 308, @ \$22; 6 Oak Washstands, # 302, @ \$3.10; 4 Oak Dressers, # 301, @ \$7.
13. Received from the Dominion Furniture Manufacturers, an invoice of Mdse., Dec. 10, $\frac{2}{10}, \frac{1}{30}$, \$275.30.
Sold to R. M. Walker, Havelock, C.O.D., less $4\frac{1}{2}\%$, 2 Brass Bedsteads, # 201, @ \$24.75; 2 Parlour Suites, # 454, @ \$20.50; 3 Dining Tables, # 374, @ \$7.20.
14. Ordered from McKinnon & Cole, Woodstock a bill of Furniture amounting to \$98.15. Deducted their regular discount of $2\frac{1}{2}\%$ and enclosed with the order a bank draft, purchased by cheque for the net amount.
Sold to J. S. Oliver, $\frac{3}{10}, \frac{1}{30}$, 2 China Cabinets, # 25, @ \$21.50; 4 Child's Brass Cots, # 207, @ \$10.15; 6 Kitchen Tables @ \$2.35.
Paid freight bill to date by cheque, \$10.20.
Received from R. Waldron, his cheque for \$150 to apply on his bill of Dec. 5. He has asked us to draw on him at 30 days from that date for the balance of the bill, less discount, on the part paid. Draw the draft and leave it with the bank for collection.
15. Received from the Thompson Furniture Co., an invoice of Mdse., Dec. 12, draft at 15 da., less $2\frac{1}{2}\%$, \$299.60.
Accepted M. Andrews' draft at 30 da. from Nov. 29 for the amount of the invoice of that date.
Paid the blacksmith's bill for repairs and horseshoeing in cash, \$4.25.
16. Sold to C. D. Rogers, $\frac{3}{10}, \frac{1}{30}$, 4 Morris Rockers, # 791, @ \$7.20; 2 Dining Tables, # 374, @ \$7.20; 4 Bookcases, # 338, @ \$7.50.
W. J. Hammond, Trenton, has written us saying that he has been overcharged \$3 each on the Davenport Sofa Beds bought on the 9th. We find this to be the case and send him a credit note for the amount.
Paid salaries for the half-month by cheque.
17. The bank reported the C.O.D. sale to R. M. Walker on the 13th, collected and credited, less exchange $\frac{1}{2}\%$.

Sold to K. Gordon, $\frac{3}{10}$, $\frac{5}{30}$, 6 Parlour Tables, #458, @ \$5.60: 4 Oak Buffets, #351, @ \$24.75: 5 Oak Wardrobes, #308, @ \$22.

Accepted the Thompson Furniture Co.'s draft at 15 da. from Dec. 12 for the amount of the invoice of that date, less returns and discount.

Deposited all cheques on hand. Credit partners with salaries for the half-month.

Post up to date. Close the Cash Book. Post totals and take off a Trial Balance. Prepare Statements.

Close the books. Bring down balances in private accounts. Do not close Capital Accounts.

INVENTORIES

<i>Merchandise on hand</i>	.....	\$1425.50	<i>Insurance paid in advance</i>	.....	14.75
<i>Horse and Wagon</i>	.....	345.00	<i>Rent paid in advance</i>	.....	45.00
<i>Office Furniture</i>	.....	42.50			

The results of the trading have not been satisfactory to the partners, and they have agreed to dissolve partnership. Neither of the partners wishes to continue the business, and it has been decided to convert all assets into cash as soon as possible and to pay off all debts. The books are then to be closed, and the partners are to be paid off in cash.

Rule up a Realization and Liquidation Account similar to the one shown below and, by Journal Entry, close all assets and liabilities now standing on the General Ledger into this account. The Cash Book may be continued. The goods from McKinnon & Cole have just been received.

Proceed with the winding up as follows:

Dec. 18. Sold the stock on hand to R. H. Ballard for 80 cents on the dollar, to be paid for in cash. Mr. Ballard also agrees to take over the store at \$90 a month, and to pay for the unexpired insurance and for unexpired rent in cash.

Sold the Horse and Wagon for cash, \$325. Sold the Office Furniture to Mr. Ballard for \$25 cash.

20. Paid all Bills Payable in cash, a discount of $5\frac{1}{2}\%$ per annum being allowed on those not yet due. Collected all Bills Receivable, less discount of $8\frac{1}{2}\%$ per annum on those not due.

22. Paid in full all outstanding accounts. Collected in full all accounts due us. Deposit all cash on hand. Close Realization and Liquidation Account to the Capital Accounts.

Close the Private Accounts to the Capital Accounts.

Pay off the Partners by cheque and close out the Cash Book and the Capital Accounts.

REALIZATION AND LIQUIDATION ACCOUNT

REALIZATION AND LIQUIDATION ACCOUNT					
ASSETS TO BE REALIZED			LIABILITIES TO BE LIQUIDATED		
Jan.	2		Jan.	2	
	<i>Bills Receivable</i>	-		<i>Accounts Payable</i>	-
"	<i>Accounts Receivable</i>	-	1038	<i>Bills Payable</i>	-
"	<i>Horse and Wagon</i>	-	335	"	641
"	<i>Office Furniture</i>	-	40		68
"	<i>Insurance</i>	-	14		
"	<i>Mdse. Inventory</i>	-	1536		
	LIABILITIES LIQUIDATED			ASSETS REALIZED	
Jan.	5	<i>Bills Payable</i>	-		
"	10	<i>Accts. Payable</i>	-		
			641	<i>Mdse.</i>	-
			517	<i>Insurance</i>	-
				<i>Horse and Wagon</i>	-
				<i>Office Furniture</i>	-
				<i>Bills Receivable</i>	-
				<i>Accts. Receivable</i>	-
				Loss on Realization:	
				<i>Stephen</i> $\frac{3}{10}$	199.69
				<i>Warner</i> $\frac{3}{10}$	133.13
					332
					82
			4497		4497
			61		61

BILLING

Generally the terms of sale in any business apply to all the lines of goods handled, but in some cases there is a difference both as to the rate of discount offered and as to the time allowed.

Where a sale to the same person contains different time or discount rates, the invoice should be arranged to show the proper grouping of the items, see illustration page 62, or separate invoices may be made out for each of the terms of sale.

By trade arrangements some lines of goods are always to be placed on separate invoices. This rule applies to some tobaccos at the present time.

In some instances there is a scale of discounts which is arranged to depend upon the amount of purchases for the month. Thus, Sales \$25, discount allowed 1%, Sales \$50, discount allowed 2%, etc. Such rates need not appear on the invoice and would not in any case affect the form of it.

In the sets following, Set V. Wholesale Groceries, is arranged to illustrate different discount rates in the same sale. The terms for different goods may vary from time to time but this will not affect the principle involved.

Invoices vary greatly in length, and to meet this, firms usually provide different sizes of invoice forms:—half, three-quarters, and full size. But it may yet be necessary to use two or more pages for one invoice. When this is necessary the pages should be carefully arranged and numbered so that if separated at any time they may be reassembled with certainty.

For this purpose the following should be observed: (a) The pages should be numbered consecutively. (b) The heading of the first page should show full statement of data as below. (c) The headings of following pages should show: Name, Date, and Order No. Other data may be omitted.

WHOLESALE DRY GOODS INVOICE

T. R. WEBB & CO.

WHOLESALE DRY GOODS

St. Catherines St., Montreal

SOLD TO C. W. RAMSAY & CO.

DATE OCT. 28, 19—

ADDRESS TORONTO

ORDER NO. 7276

Terms: 30 da., 3% in 10 da.

SHIPPED BY C. N. R. Freight.

CASE	MARKS	PARTICULARS					
# 376	C.W.R.	10 pes. Serge 66 ² , 67, 68 ³ , 68, 72, 67 ¹ , 64, 68 ² , 72, 71 ³ , 678 ³		.75	509	.06	
		6 pes. Black Cashmere 65 ² , 67, 68 ³ , 72, 71 ² , 73 = 417 ³		.45	187	.59	
# 377		14 pes. Tweeds 67 ³ , 65 ² , 68, 66 ³ , 67, 64 ¹ , 63, 68 ³ , 72, 71 ³ , 74, 71, 73 ² , 68 ³ = 967 ²		.60	576	.90	1273 .55
		Date Received Nov. 2, 19— Rec'd by B. R. Checked by #5 Freight 21.20 Duty 252.60 Other Charges ✓ Entered by C. S. Perpetual Inventory Page 123					

WHOLESALE GROCERIES INVOICE

P. HAMILTON & CO.

WHOLESALE GROCERS

Front St.

Toronto

SOLD TO MR. H. R. HARRISON

DATE JAN. 11, 19—

ADDRESS LISTOWEL

OUR ORDER NO. 577

ONTARIO

YOUR ORDER NO. 265

Terms :

SHIPPED BY C. N. R.

6	Terms : 3 mos.										
6	hf-ch. Japan Tea, ea. 85 lbs, net = 510 lbs.						.30		153		
3	hf-ch. Y. H. Tea, 82-15, 85-14, 84-15 = 251-44 = 207 lbs.						.40	82	80		
										235	80
	Terms : 30 da.										
..	c/s Lobsters, 1's, ea. 4 doz., per doz.						3.00		36		
..	c/s Sardines, 1/4's, ea. 100 tins, per case						18.50	92	50		
										128	50
<div style="border: 1px solid black; padding: 5px;"> Date Received Jan. 14, 19— Rec'd by C. C. Checked by #? Freight 6.25 Other Charges ✓ Entered by..... Perpetual Inventory Page </div>											

For Exercise on Billing use Invoice Sets IV and V.

OBTAINING LOANS FROM THE BANK

When a firm has not an ample supply of capital, careful financing becomes necessary in order to get the greatest value out of funds that are or may be available.

Sales are usually made on definite time allowance. Drafts may be drawn in accordance with the terms of sale, and these drafts may then be discounted at the bank.

Arrangements may be made with the bank for a line of discount, that is, a limit up to which bills bearing the firm's endorsement will be accepted by the bank for discount. If a firm should at any time wish to discount bills to an amount exceeding the limit agreed upon, the bank would ask for additional security. This might be given: (a) By leaving with the bank and provisionally assigning to it securities, such as bonds, stocks, mortgages. These are described as collateral security, and the bank acquires the right to dispose of enough of them to cover the amount of any bills discounted and not paid when due. No bookkeeping entry is necessary, but a memorandum should be kept of all securities so left with the bank.

(b) Instead of securities such as the foregoing, other drafts may be left with the bank as collateral. As these drafts fall due they will be collected by the bank and credited to the firm's account. This gradually reduces the amount of collateral held by the bank, and should the amount get too low the bank will ask to have it increased.

Drafts as collateral are transferred to the bank by the usual blank endorsement, and they should therefore be entered through the books. The following entries are necessary :

- i. When collateral is left at the bank : Bank Collateral Dr.,/Bills Rec. Cr.
- ii. When any of the bills are collected : Bank Dr., Expense Dr.,/Bank Collateral Cr.
- iii. When any of the bills are dishonoured : Accts. Rec., (Personal Acct) Dr.,/Bank Collateral Cr.
- (c) A third method of obtaining a loan is to borrow on the firm's own note supported by collateral. If the collateral were in the form of drafts the following entries would be made :

- i. When the loan is obtained : Bank Dr., Int. and Disc. Dr.,/Bank Loan Cr.
- ii. When the collateral is handed to the bank : Bank Collateral Dr.,/Bills Rec. Cr.
- iii. When collateral is collected by the bank : Bank Loan Dr., Exp. Dr., Bank Collateral Cr.
- iv. If a collateral bill is dishonoured : Accts. Rec. (Personal Acct.) Dr., Bank Collateral Cr.

When bills have been collected to cover the amount of the firm's note, the account may be closed out and the note cancelled, or it may be continued by a new note to be covered by collateral.

PAYMENTS

When goods are sold subject to a choice of terms, as for example, Nov. 3, 5% in 10 da., 3% in 30 da., net 60 da., they are charged at the net price. The purchaser is then entitled to the discount of 5% if he remits so that the cash is received on or before Nov. 13, or to the discount of 3% if the cash is received on or before Dec. 3.

The purchaser may not, however, be able to pay the whole bill, and he is then entitled to the discount on the part paid—not on the cash payment, for the discounts are on **bills** paid, not on **cash** payments. Thus, if a purchaser is able to pay \$285 on a bill on which the discount is 5% , he is entitled not to a discount of 5% on \$285 = \$14.25, but 95% of the debt paid is equal to \$285, 100% of the debt paid is equal to \$300, and the discount is therefore \$15. The Journal entry for the foregoing would be : Cash Dr. \$285, Disc. off Sales Dr., \$15/Purchaser Cr. \$300.

Since the cash discounts are usually much greater than the actual cost of borrowing the money for the time in question, it is profitable to discount any notes on hand in order to raise the money necessary to earn the cash discount. For example, Nov. 10, I owe H. Walker for a bill of goods \$600, $3\% \text{ for } 10 \text{ da.}$ I have on hand a note for \$365 which has 25 days still to run. Nov. 10, I discount this note at the bank at 7% , and remit the proceeds to H. Walker to apply on the bill.

- (a) The interest on \$365 at 7% for 25 da. = 1.75. Proceeds = $365 - 1.75 = 363.25$
- (b) The discount on the bill of goods is 3% ; $\therefore 97\%$ of the debt paid = 363.25.
 $100\% \quad " \quad " = 374.48$.

Hence the discount = \$11.23, and since the interest on the borrowed money = \$1.75, I have gained \$9.48 by the transaction.

- (c) My entries would be as follows :

1. Cash	Dr. 363.25	||	2. H. Walker	Dr. 374.48
Interest and Discount Dr.	1.75	||	Discount off Purchases Cr.	11.23
Bills Receivable Cr.	365.00	||	Cash Cr.	363.25

EXERCISES ON PAYMENTS

1. Dec. 5, I pay John Gregory for a bill of goods \$850, Dec. 3, $5\% \text{ for } 10 \text{ da.}$ Give my Journal entry.
2. Dec. 7, I send R. A. Walker a cheque for \$750 to apply on a bill of goods \$1250, Dec. 3, $5\% \text{ for } 10 \text{ da.}$ Give my Journal entry.
3. Dec. 9, I draw at sight on H. Brown for \$600 and remit the draft to C. Mason to apply on a bill of goods \$1000, Dec. 6, $4\% \text{ for } 60 \text{ da.}$ Give my Journal entry.
4. Drew on A. B. Smith for \$600 at 30 days from date, and remitted the draft to W. Raymond, to apply, less discount at 7% for 33 days, on a bill of goods bought 3 days ago, terms $3\% \text{ for } 10 \text{ da.}$ Give my Journal entries. How much do I gain by the transaction?
5. I hold a note for \$600 made by W. Chester in my favour Dec. 2, at 2 months. On Dec. 21 I discount it at the bank at 7% , and remit the proceeds to H. Adams on a bill of goods on which I am entitled to a discount of 4% . Give my Journal entries. Find my gain.
6. Received from H. Green a sight draft on W. Jones for \$260 and a cheque for \$340, to apply on a debt on which he is entitled to a discount of 3% . Give my Journal entry.

7. Received from H. Adams, a draft for \$300 on M. Good, drawn at 30 days' sight and accepted yesterday, also a cheque for \$400. These are to be applied, less 33 days' discount at $7\frac{1}{2}\%$ on the draft, on a bill of goods on which there is a discount of 2%. Give my Journal entry.

8. Had my note at 60 days discounted at the bank at $7\frac{1}{2}\%$. The note was endorsed by G. Moon, and was drawn for such an amount that the proceeds would buy a bank draft (exchange $\frac{1}{8}\%$) to pay for a bill of goods \$1250, less discount 4%. Give my Journal entries.

9. My total purchases for the year have been \$10500. The average terms have been $3\frac{1}{10}\%, 30$. How much would I gain in the year by discounting at $7\frac{1}{2}\%$ notes with 60 days to run, including days of grace, so as to secure the cash discount on all purchases?

10. Wrote a cheque for \$938.42 to pay for a draft purchased at $4\frac{1}{2}\%$ discount, which I remitted in payment of a bill of goods less $3\frac{1}{2}\%$ discount. Give my Journal entry.

11. I have an overdraft at the bank of \$750. The bank asks for a note to cover the overdraft. It is agreed that the note shall be drawn at 3 mos. from Dec. 18 and that the discount rate shall be $6\frac{1}{2}\%$. I am to leave with the bank as collateral Bills Receivable to the amount of \$1000. Give my journal entries.

12. On Feb. 20, \$600 of the collateral bills in question 11 are paid in cash, and one bill for \$120 falls due and is dishonoured. Give my entries.

13. Discounted my own note for \$2500 at the bank and left Bills Receivable \$3000 as collateral. The bank charged \$25 discount.

Ten days later \$1000 of the collateral bills were paid, and one bill for \$250 was dishonoured and charged back. At maturity of my note the remaining \$1750 of collateral have been collected, and my note is retired. Give my entries.

14. Discounted at the bank Bills Receivable \$800, the bank charging \$9.00 discount. Sixty days later the bank notifies me that \$600 of the above notes have been paid. The rest have been dishonoured and charged back. Give my entries.

15. H. Adams owes you for a bill of goods, \$350. You draw on him at 10 days for the amount, less $3\frac{1}{2}\%$ cash discount, and discount the draft at the bank at $7\frac{1}{2}\%$ exchange $\frac{1}{8}\%$. Four days later the draft is returned to you dishonoured, and is charged back to you by the bank, less the discount for the remaining 9 days.

Make your Journal entry.

16. C. Hall owes you on acct. \$150, and you hold a note against him for \$425 at 30 days, with interest at $6\frac{1}{2}\%$. The note falls due to-day and is permitted to go to protest. You pay the protest fee in cash, \$1.09. Hall fails, paying 75 cents on the dollar, and you receive a cheque in settlement of his indebtedness to you.

Make your Journal entry.

17. Dec. 1. You render statements of accounts as follows: R. Waldron, \$75.60; C. James, \$64.20; F. Smith, \$121.30; D. Pollock, \$92.20. You draw at 30 da. from Dec. 1 for these amounts and discount the drafts at the bank at $7\frac{1}{2}\%$, exchange 45c. Dec. 5 the draft on C. James is returned to you dishonoured, and on Dec. 7 the draft on D. Pollock is also returned dishonoured, both having been charged back to your account by the bank. Dec. 31 you make a statement to the bank of the overcharge of interest, and receive credit for the amount. Make your Journal entries.

GOODWILL

Goodwill may be described as a value placed upon the established reputation and connection of a business. It may arise out of :

- (a) The reputation acquired by the article dealt in.
- (b) Especial advantages enjoyed, whether of location, copyright, trademark, monopoly, etc.
- (c) The personality or reputation of a member or members of the firm.

The value is determined by earning powers and has been variously estimated for different types of business, or for any type of business under different circumstances. For a wholesale or retail trading business from one to three years' profits would be considered a fair value, the profits being taken as average net profits after expenses of management, including salaries of partners, had been provided for.

AS TO GOODWILL ON THE BOOKS

1. There would seem to be no useful meaning to Goodwill Account on the books of a single proprietor. Neither the actual worth, the value for purposes of credit, nor the earning power could be affected thereby. Moreover, the value could only be realized by disposing of the business.

2. In a partnership the question of goodwill on the books may arise either on the admission of a new partner, or on the withdrawal by death or otherwise of a partner. In either case there is, in effect, a sale with the consequent revaluation of the assets.

The goodwill must be taken into consideration when the revaluation takes place, but it may either be omitted from the books or entered on the books and then written off: i. Out of profits, as an appropriation of profits extending over three to five years, or, ii. Out of capital at once, thus reducing the capital to what it would have been had the value of goodwill not been added.

3. In the organization of a Joint Stock Company from a partnership, goodwill is placed upon the books to give the agreed value to the assets; but there is objection to writing it off as in a partnership, for if written off out of profits, dividends are to that extent reduced. It is usual to accumulate a reserve to strengthen the standing of the business, and if goodwill is written off out of profits this would be equivalent to accumulating a further reserve, and making a consequent double demand on profits before dividends would become available.

TREATMENT OF GOODWILL ON THE BOOKS

1. Upon the admission of a partner.

(a) The firm may have sufficient capital and only wish to add strength to the management. Then the incoming partner would pay the former members of the firm directly and not into the business, for the agreed proportion both of capital and of goodwill.

Example. A and B are partners with capital \$30000 each. They value goodwill at \$15000 and admit C as equal partner upon paying to A and B outside the business such sum as will entitle him to $\frac{1}{3}$ interest.

Here the total capital as adjusted would be $\$30000 + \$30000 + \$15000 = \75000 . Each $\frac{1}{3}$ would be \$25000. C would then pay over to A and B \$25,000 in equal proportion outside the business and the entries on the books would be :

i. Using Goodwill Account.

A	5000
B	5000
Goodwill	15000
C	25000

ii. Not using Goodwill Account.

A	10000
B	10000
C	20000

NOTE:—The total capital without Goodwill would be \$60000, but C would pay \$25000.

(b) The firm may wish both to increase the capital and to strengthen the management. Then the incoming partner would pay into the business enough to make his capital equal to the agreed amount.

Thus using the previous illustration but paying the money into the business C would have to pay in one-half of \$75000, that is \$37500, and the entries would be:

i. *Using Goodwill Account.*

Goodwill	15000
A	7500
B	7500
Cash	37500
C	37500

ii. *Not using Goodwill Account.*

Cash	37500
A	2500
B	2500
C	32500

NOTE:—Capital without Goodwill would be \$97500, each \$32500, but C would pay \$37500.

(c) There may be an adjustment of values of assets in addition to an amount to be paid for goodwill.

Suppose Adams & Brown are partners, sharing $\frac{2}{3}$ and $\frac{1}{3}$ in profits. Their standing is: Cash \$600, Accts. Rec. \$5600, Mdse. \$9000, Real Estate \$7500, Furniture \$800, Accts. Pay. \$3500, Adams' Capital \$12000, Brown's Capital \$8000.

They admit Cameron on the following agreement:—There is to be a reserve of \$400 for bad debts, Mdse. is revalued at \$8000, Real Estate at \$7200 and Furniture at \$500. Cameron is then to pay in \$5750 and receive therefor a $\frac{1}{3}$ interest in the business, Adams & Brown sharing in the remaining $\frac{2}{3}$ in the same proportion as before, 2 to 1.

It would first be necessary to prepare a balance sheet for Adams & Brown incorporating the adjustments. Cameron pays \$5750 for a $\frac{1}{3}$ interest, the remaining $\frac{2}{3}$ would therefore be valued at \$23000, which would give a net profit for Adams & Brown of \$3000, making their present capitals—Adams' \$14000, Brown's \$9000. The balance sheet would stand:

Cash	600	Acct. Payable	3500
Acct. Receivable	5600	Adams' Capital	14000
Less Reserve	400	Brown's Capital	9000
—	5200	—	—
Mdse.	8000	—	—
Real Estate	7200	—	—
Furniture	500	—	—
Goodwill	5000	—	—
—	26500	—	—
			26500

Cameron now pays in cash \$5750 which would require the following entries:

i. *Using Goodwill.*

(a) Goodwill	5000	(b) Cash	5750
Reserve for Bad Debts	400	Cameron	5750
Mdse.	1000	—	—
Real Estate	300	—	—
Furniture	300	—	—
Adams' $\frac{2}{3}$ gain	2000	—	—
Brown's $\frac{1}{3}$ gain	1000	—	—

ii. Not using Goodwill, the Capitals would be \$5000 less, $\frac{1}{3}$ being deducted from Cameron's and $\frac{2}{3}$ from Adams & Brown's in the proportion 2 to 1, i.e. \$2666.67 and \$1333.33, leaving Adams \$11333.33, Brown \$7666.67, Cameron \$4750, and requiring the entries:

(a) Adams	1333.33	(b) Cash	5750
Brown	666.67	Adams	666.67
Rec. Bad Debts	400	Brown	333.33
Mdse	1000	Cameron	4750.00
Real Estate	300	For Cameron's Investment	
Furniture	300		

For Adjustment of Assets

2. Upon the death or withdrawal of a partner, goodwill should be valued according to the terms of the partnership agreement or by special valuation. Only the partner's share need be placed on the books, the entry being, Goodwill Dr.,/Partner's Capital Account Cr.

For exercise see number 5 to 10, page 69.

BAD DEBTS

When a customer fails and the firm suffers a loss, the amount of the loss is charged not directly to Loss and Gain account but to Bad Debts account.

At the end of an accounting period there may be on the books some accounts which in all probability will not be collected in full. It is usual to provide for loss arising out of such doubtful accounts by setting aside in a reserve account, out of profits an amount sufficient to cover the anticipated loss. The amount is usually stated as a percentage of the accounts on the books.

At the time of closing the books these two accounts should be combined. The Bad Debts account, which shows the amount actually written off during the year, should first be closed to the Reserve account. The amount to be carried forward should be calculated, and this also should be charged to the Reserve account. The balance of the Reserve account would then show the amount to be charged to Loss and Gain account, on account of bad debts for the year, and it should be entered: Loss and Gain Dr., Reserve for Bad Debts Cr. The account may then be ruled up and the balance brought down.

Since the percentage used would be the same from year to year and the accounts on the books approximately so, the net result would be to charge to Loss and Gain yearly the amount of bad debts actually written off, and this is what is required for the income tax statement. By rulings under the Income Tax act firms are being permitted to carry a reserve for bad debts and indeed to build it up to 10% of their Accounts Receivable.

ILLUSTRATION. Outstanding accounts Jan. 1, \$30000, Dec. 31, \$32000. The reserve for bad and doubtful debts uniformly 5% of accounts on the books at the end of the year. Bad debts written off during the year \$730. Show the Bad Debts account and the Reserve for Bad Debts account for the year.

Dr.	BAD DEBTS			Cr.
19— Dec. 31	Written off	730	19— *Dec. 31	To Res. for Bad Debts
		730		730

Dr.	RESERVE FOR BAD DEBTS			Cr.
19— Dec. 31	Bad Debts	730	19— Jan. 1	Forward
* " 31	Bal. Forward	1600	*Dec. 31	To Loss and Gain
		—		1500
		2330		830
		—		2330
		—	Dec. 31	Bal. Forward
		—		1600

TO ADJUST INTEREST ON CAPITAL BETWEEN PARTNERS

Interest on capital invested may be adjusted between partners in either of two ways :

1. It may be charged to Interest account, and credited to the partners in their private accounts. It will then be carried from interest to loss and gain, and there divided between the partners in the manner agreed upon for net gains or losses.

Thus, if *A* and *B* are partners sharing gains and losses, *A* $\frac{2}{3}$, *B* $\frac{1}{3}$, and at the close of the year there is interest due on capital to *A* \$75, and to *B* \$60, entries would be made as follows :

Interest	Dr.	135	
	A (private account)	Cr.	\$75
	B (private account)	Cr.	60

The interest account would then be closed to loss and gain :

Loss and Gain	Dr.	135	
	Interest	Cr.	135

And the loss and gain account would be closed to the private accounts :

A (private account)	Dr.	90	
B (private account)	Dr.	45	
	Loss and Gain	Cr.	135

This method puts the interest through the books just as if it had been an expense of running the business.

2. It is held by some accountants that interest on capital should not be regarded as a cost of carrying on the business, and that it should be adjusted without passing it through the interest and loss and gain accounts. Thus, in the question worked by the above method, *A* is credited with interest on capital \$75 and later charged with his share of the loss \$90, making a net debit of \$15. *B* is credited with interest on capital \$60 and later charged with his share of the loss \$45, making a net credit of \$15. The whole matter may therefore be adjusted through the private accounts without appearing as a cost to the business, thus; *A* (Priv. Acct.) Dr. \$15, *B* (Priv. Acct.) Cr. \$15.

Similarly, adjustment for the omission of a transaction, or for the re-arrangement of capital, may be made through the partner's accounts.

For example, *A* and *B* are partners, sharing gains and losses, *A* $\frac{2}{3}$, *B* $\frac{1}{3}$. The books have been closed, and it is then discovered that an invoice of goods bought from T. Ross, \$360, and included in the inventory at stock-taking, has not been charged to Mdse. account, nor credited to Ross. The omission may be adjusted through the capital accounts thus :

<i>A</i>	Dr.	\$216	
<i>B</i>	Dr.	144	
	T. Ross	Cr.	360

EXERCISE ON ADJUSTMENTS BETWEEN PARTNERS

1. *A* and *B* are partners, sharing gains and losses in the proportion $\frac{1}{3}$ and $\frac{2}{3}$. *A*'s investment is \$7500, *B*'s \$10000. Each is allowed interest at $6\frac{1}{2}\%$ on capital. Make the entry to adjust this through capital accounts.

2. *A*, *B* and *C* are partners. They share gains and losses as follows: *A* $\frac{1}{4}$, *B* $\frac{1}{4}$, *C* $\frac{1}{2}$. *A*'s investment is \$6000, *B*'s \$5000, *C*'s \$12000. Allow each interest at $4\frac{1}{2}\%$ on capital, and make the entry to adjust through capital accounts.

3. *A, B, C and D* are partners, sharing gains and losses, *A* $\frac{1}{8}$, *B* $\frac{1}{8}$, *C* $\frac{1}{4}$, *D* $\frac{1}{2}$. *A*'s investment is \$5000, *B*'s \$6000, *C*'s \$9000, *D*'s \$13000. Allow interest at 4% on capital, and adjust through capital accounts.

4. *A* invested Jan. 1, \$8000, and withdrew May 1, \$750, Oct. 1, \$400; *B* invested Jan. 1, \$6000, and withdrew June 1, \$500; *C* invested Jan. 1, \$10000, and withdrew April 1, \$900, Aug. 1, \$600. They share net gains and losses equally. Allow each interest at 6% on investment, and charge the same rate on withdrawals. Make the entry to adjust the interest at the end of the year.

5. *A* and *B* are equal partners in a Lumber business, with capital \$20000 each. They value the goodwill of the business at \$10000. They agree to admit *C* and *D* as equal partners upon payment to *A* and *B* of such sums as will entitle each of them to a $\frac{1}{4}$ interest in the business.

(a) Make the Journal entry to adjust.

(b) If *C* and *D* had paid into the business cash sufficient to entitle them to a $\frac{1}{4}$ interest, what would have been the Journal entry?

6. *A, B* and *C* are partners, with capital \$24000, \$30000, \$32400 respectively. They agree to admit *D* as partner upon his paying into the business cash sufficient to entitle him to a $\frac{1}{4}$ interest. *A, B* and *C* then decide to pay and receive such sums among themselves as will make them equal in capital.

(a) Make the entry for the admission of *D*.

(b) Make the entry for adjustment among *A, B* and *C*.

(c) If the money had been paid into and out of the business in the adjustment between *A, B* and *C*, what would the entry have been?

7. Jan. 1, *A* begins business with cash \$3600, which he has borrowed on his note at one month. Feb. 4, he admits *B* as a $\frac{5}{6}$ partner upon payment of the note. Give the Journal entry.

8. *A* owns a business worth \$40000. He requires more capital, and he agrees to admit *B* and *C* as partners, each to have $\frac{1}{3}$ interest in the business, upon their paying into the business \$25000 each and paying *A* a cash bonus of \$10000 each. Give the Journal entry.

9. Following is the standing of *J. Frazer* at Dec. 31.—Cash \$400, Accounts Receivable \$5000, Bills Receivable \$4000, Mdse. \$3000, Land and Building \$8000, Accounts Payable \$3000, Bills Payable \$2400, *J. Frazer* Capital \$15,000.

On Jan. 1 of the next year he admits *P. Wilson* as equal partner, *Wilson* paying \$18000 for a half-interest, \$4000 of which he pays to *Frazer* personally and \$14000 of which he pays into the business.

Make the necessary entries and prepare the balance sheet of the firm (a) Using Goodwill Acct.; (b) Not using Goodwill Acct.

10. *A. Smith* owns a business showing: Mdse. \$50000; Cash \$12000; Buildings \$15000; Book debts \$3000; Creditors \$10000; *Smith*'s Cap. \$70000.

He admits *Mills* and *Nicholson* as equal partners on the following terms: The Mdse. is revalued at \$45000, the buildings at \$14000, and 10% is allowed on book debts. *Mills* and *Nicholson* are then to pay into the business \$30000 each and a cash bonus to *Smith* of \$16000 each.

Make the entries (a) Using Goodwill Acct.; (b) Not using Goodwill Acct.

THE EXPENSE LEDGER

In dealing with Expense it is common practice to keep but one Expense Account in the General Ledger. Details are shown in analysis sheets as on page 71. The Cash Book, Purchase Book, and if need be, the General Journal are provided with a special column for expense, and the totals of these columns are posted to the General Expense Account in the General Ledger. The items in all of these

columns are entered on one analysis sheet. This sheet becomes the Expense Ledger. Each column is in reality a Ledger account, and the General Expense Account in the General Ledger is the control account for it.

The Expense Ledger is not therefore a Ledger of the usual form, but it consists of an analysis sheet for each month and a summary sheet for the year. The total of all columns must prove, month by month, with the total of the General Ledger Account. The usual form of summary appears below the analysis sheet, page 71. An optional form is given at the bottom of this page.

DEPARTMENTAL ACCOUNTS

When a business is divided into departments under separate management, it is desirable that the results of the trading in each department should be shown separately. This is done with varying degrees of completeness, from the simple division of the trading account showing costs and sales with gross profits by departments, to the complete analysis both of trading and of expenses and showing **net** profits by departments as well as **gross** profits.

To show the gross profits by departments it is necessary to keep a separate purchase, sales, and inventory account for each. The purchases and sales may be posted to these from special columns in the purchase and sales books. The freight should be entered through the purchase book and distributed to the special columns. It will then be posted with the Invoice Book totals to the Department accts., and from the Freight column total to the Cr. of Freight acct. It will also be posted from the Cash Book to the Dr. of Freight acct., thus balancing the Freight account in the Ledger.

Rebates and returned goods may be charged or credited directly to the proper department through the Journal, or separate books may be kept, namely "Rebates and Returned Goods Dr." book, and "Rebates and Returned Goods Cr." book, each with special columns for the various departments. Posting to the Purchases and Sales accounts from these books will be done monthly, just as is done from the Purchase and Sales books.

A second method of dealing with Departmental accounts is to have only one set of accounts in the Ledger showing gross trading results, and to use the analysis sheet for the detailed statement as was done with Expenses. This method is best for a business having a large number of departments. See page 95.

(b)

EXPENSE ANALYSIS SUMMARY, 19—

Items	Total Jan.	Total Feb.	Total 2 mos. Jan. & Feb.	Total March	Total 3 mos. to March 31	Etc.
<i>Delivery</i>	13	20	15	60	18	80
<i>Advertising</i>	11	70	14	80	26	50
<i>Travelling Expenses</i>	71	68	139	50	72	211
<i>Etc.</i>						

NOTE.—The analysis sheet may be totalled for purposes of comparison as often as desired, and a summary sheet should also be prepared, making thirteen sheets for the year.

The summary sheet may be ruled the same as the others or it may be ruled with twenty-four columns, as indicated in *b* above, and it would then show cumulative cost from month to month.

The principle of the analysis sheet may be applied to other accounts, with such detail as may be desired in each case.

It will be observed that the inventories at Jan. 1 are added to the yearly totals if they represent assets, but deducted if they represent liabilities, and that at Dec. 31 they are deducted if they represent assets and added if they represent liabilities. These are entered so that the summary sheet may furnish the data necessary for the financial statement.

The inventories are entered in separate items in the Ledger through the General Expense account, if that account is not distributed, but through the subordinate accounts if distribution has been made.

BOOKKEEPING

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EXPENSE ANALYSIS SHEET, JANUARY, 19--

Date	Delivery	Adv.	Trav. Exp.	Salesmen's salaries	Fit. out and Cartage	Sundries	Rent	Light and Fuel	Insurance	Sundries	Office Salaries	Office Expenses	Donations	Sundries
Jan. 3				15			60						420	
7	120				210					20				
		215		20										
	120	215	15	20	210		60			20			420	
10				1225				15						
11	215												5	
12				325										
13					175					20			330	5
14	215	325	1225	20	175			15	20					
16				1350									130	
17	430				115									
19		410											160	
21	130			20						20				
	560	410	1350	20	115					20			280	
25				14				125						
26	310												430	
28	115			20						20				
	425	220	15	20				125		20			430	
30				1625									10	
31					175								460	10
				1625									460	10
Totals for Month				1320	1170	71	80	675	60	440	20	80	1920	18

(a)

EXPENSE ANALYSIS SUMMARY, 19--

Month	Delivery	Adv.	Trav. Exp.	Salesmen's salaries	Fit. out and Cartage	Sundries	Rent	Light and Fuel	Insurance	Sundries	Office Salaries	Office Expenses	Donations	Sundries	Totals
January	1320	1170	71	80	675		60	440	20		80	1920	18		38425
February	1460	1310	68	80	725		60	560			80	2120	10		35975
<i>Etc.</i>															
<i>Totals for Year</i>	<i>17210</i>	<i>16230</i>	<i>810</i>	<i>969</i>	<i>771</i>		<i>720</i>	<i>5510</i>	<i>45</i>		<i>960</i>	<i>230</i>	<i>95</i>		
<i>Inventories</i>															
<i>Jan. 1</i>	<i>L760</i>	<i>L940</i>							<i>A500</i>						
	<i>17210</i>	<i>15470</i>	<i>80060</i>	<i>960</i>	<i>7710</i>		<i>720</i>	<i>5510</i>	<i>50</i>		<i>960</i>	<i>230</i>	<i>95</i>		
<i>Inventories</i>															
<i>Dec. 31</i>									<i>A460</i>	<i>A1000</i>					
	<i>17210</i>	<i>15470</i>	<i>81080</i>	<i>960</i>	<i>7710</i>		<i>720</i>	<i>5550</i>	<i>40</i>		<i>960</i>	<i>230</i>	<i>95</i>		

MERCHANDISE PURCHASES

There are several, more or less satisfactory, methods of dealing with purchases. Two typical methods may be outlined.

1. The Invoices, when received, are placed on a provisional file till the goods they represent have been delivered. The goods are then carefully checked by the invoice, and errors or omissions are noted. An entry is then made in a Daily Memorandum book under the date on which the invoice must be paid to secure the discount, and the invoice is filed away in the order in which it has been checked. At the end of the month all the invoices for the month are grouped according to the firms from which they are received, and in the order of their dates, and arranged alphabetically, and they are then entered in the Purchase Book. They are posted from this book in totals to the credit of the creditors' accounts, and in grand total to the debit of Merchandise Purchases account, and if the Ledger is self-balancing, also to the credit of Accounts Payable accounts. For form see pages 74 and 75.

2. The Invoices, when received, are placed on a provisional file till the goods they represent have been delivered. The goods are then carefully checked by the invoice, and errors or omissions noted. The invoices are next given consecutive numbers and entered in a Purchase Register. This book varies very much as to the amount of detailed information entered, but it should contain at least terms, due date, or due dates, and amounts, and may have in addition to this columns for cash discounts and for net amount, and also columns for distribution to departments. After having been entered in this book the invoices are filed in consecutive order.

NOTE.—The form of blank book into which the invoices were pasted, and which was once commonly used, has been almost entirely replaced by some method of filing.

MERCHANDISE SALES

1. **Retail.** The first record of a sale is the counter check, which is made out in duplicate, one copy for the purchaser, the other for office use. Accompanying the counter checks is the recapitulation sheet, on which the amounts of the sales are entered in two columns, cash and credit. The checks for the day are divided into two groups, cash and credit. The cash checks correspond with the total of the cash column in the recapitulation sheet, and should also show the same total as the amount of cash received for cash sales, and recorded in the cash register or in the till. This total should then be entered in the cash book on the debit side and credited to Merchandise Sales. The credit checks may be dealt with as follows :

(a) The checks for the day are arranged alphabetically and fastened together, either in a binder or otherwise.

The posting is done directly from the counter check to the Ledger, one entry for each check.

The total is posted to the credit of Mdse. Sales from the recapitulation sheet, at the end of the month, or oftener if desired.

When the posting is done in this way, the Statement of Account rendered at the end of the month does not usually contain the items, but only the total of each sale.

(b) The checks for the day are arranged as in (a). They are then entered in detail in the form of Statement of Account, and by means of a carbon sheet a duplicate of this statement is made, to be retained as a Day Book.

The posting is done from this statement to the Ledger account —one entry for each counter check.

The total is posted from the recapitulation sheet to the credit of Mdse. Sales account, the same as in (a).

2. Wholesale. In a wholesale business the Order is the first record of the sale. The orders may be dealt with as follows:

(a) They are first registered and given a consecutive number. The goods are packed and shipped. The order is then returned to the office and extended, and the invoice made from it.

The posting is done directly from the order to the Ledger account.

The recapitulation sheet is used to secure the total sales to be posted to the credit of Mdse. Sales account.

(b) The orders are first registered and numbered as in (a). The goods are packed and shipped. The order is extended. The Invoice and the Sales Book entry are made on the typewriter at one writing by the use of a carbon paper, the data being taken from the order. The posting is done from the Sales Book copy to the personal accounts, each sale in total.

The amount of the sales is carried forward from page to page and posted to the credit of Mdse. Sales account at the end of the month, or oftener if desired.

SALESMEN'S TRAVELLING EXPENSES

When a salesman's travelling expenses are advanced to him at the beginning of the week, they should be charged to his account in the General Ledger, the entry being, Salesman Dr. \$15, Cash Cr. \$15.

Upon his return at the end of the week he hands in a properly filled out expense sheet, giving in detail his expenses for the week. He is then credited with this amount, which is charged to Travelling Expenses. Travelling Expenses Dr. \$12.10, /Salesman Cr. \$12.10.

The balance of the salesman's account stands on the books as an asset. The Travelling Expenses account should be closed to Loss and Gain after entering as an inventory the estimated expenses for the part of a week, if any, not reported. Or the Travelling Expenses may be entered through the analysis sheet.

These expenses may also be dealt with on the Imprest system: (a) At starting out a traveller is given a fixed allowance and it is entered Traveller Dr., /Cash Cr. (b) After each trip he reports and is given a cheque for the exact amount spent and it is entered through the Cash Book; Travelling Expense Dr., /Cash Cr.

C. W. RAMSAY & CO.—Salesman's Weekly Expense Sheet

SALESMAN	D. Hunter			Balance on hand at last report		Received (date)	Total	Expenses as per this sheet	Balance on hand	\$	
		FROM	TO	May 6	May 11	19—	May 6	May 11	19—	May 6	May 11

Date	Place	R. R. Fare	Hotel	Baggage, Bus, Car Fare	Incidentals	Total	Memo.
May 6	Collingwood, etc.	1 85	Grand Central	1 25	.55	Postage	10 3 45
	Total						12 10

BOOKKEEPING

MERCHANTS SALES

ORDER No.	DATE	L. F.		DRESS GOODS	GLOVES AND HOSIERY		STAPLES	TOTALS
1	Jan. 14		S. Martin, City, $\frac{2}{10}, \frac{n}{30}$ 4 pcs. Satin, $62^2, 67^2, 72, 68 = 269^3$ 3 pcs. Irish Poplin, $68^2, 73^2, 74 = 215^3$ 3 bxs. Cashmere Gloves, 4 doz. prs. 6 00	67 1/2	182 08			691 52
2	" 15		Bulmer Bros., Stratford, $\frac{2}{10}, \frac{n}{30}$ 3 doz. Blk. Cotton Hore 3 pcs. Gingham, $37^2, 38^2, 39^3 = 117^2$	1 80 11 1/2		5 40	12 94	18 34
*	June 17		Accounts Rec. 709.86 Dress Goods Sales 667.52 Gloves & H. Sales 20.40 Staples Sales 12.94		667 52	29 40	12 94	709 86

PURCHASE

No.	WHEN RECEIVED	L. F.	NAME	ADDRESS	DATE OF INVOICE		TERMS
					Dec.	Jan.	
1	Jan. 2	4	D. J. Armstrong	Montreal			$\frac{5}{10}, \frac{n}{60}$
2	" 4	15	W. James & Co.	Toronto			$\frac{3}{10}, \frac{n}{30}$
3	" 6	10	Dominion Glove Co.	Montreal			$\frac{3}{10}, \frac{n}{30}$
"	" 7	"	Freight	On Inv. 1 and 3			
	*	62	Dress Goods Purchases		1283.65		
		63	Gloves and Hosiery Purchases		261.45		
		64	Staples Purchases		775.30		
		3	Accounts Payable			2311.90	
		55	Freight			8.50	

REBATES CREDIT BOOK

Mar.	17	25	E. R. Gorman 402 lbs. J. Coffee, rebate	.03	12	06	
"	17	27	Newell and Reid 198 lbs. J. Coffee, rebate	.03	5	94	
"	21	29	C. R. Dunlop 2 Chests Ceylon Tea, 165 lbs., returned	.28	46	20	
*"	31	17	Mdse. Sales Accts. Receivable	64.20			64 20

MERCHANDISE PURCHASES

L. F.	NAME	TERMS	FREIGHT	DRESS GOODS	GLOVES AND HOSIERY	STAPLES	TOTAL OF INVOICES
13	T. R. Webb	Dec. 28, $\frac{2}{10}$, $\frac{1}{30}$ On above Jan. 10, $\frac{2}{10}$, $\frac{1}{30}$ On above	7 75	1744 53 7 25 2795 82 7 75			4540 35
55	Dominion Glove Co.	Dec. 31, $\frac{2}{10}$, $\frac{1}{30}$ On above Jan. 16, $\frac{2}{10}$, $\frac{1}{30}$	1 25		946 25 1 25 1129 00		2075 25
9	Imperial Cotton Co.	Jan. 5, $\frac{2}{10}$, $\frac{1}{30}$ Jan. 9, $\frac{2}{10}$, $\frac{1}{30}$ On above Jan. 29, $\frac{2}{10}$, $\frac{1}{30}$ On above				207 34 831 42 5 60 139 29 7 75	1
* 27	Dress Goods Pur.	4555.35	29 60	4555 35	2970 50	1191 40	7793 65
* 28	Gloves and Hosiery Pur.	2075.50					
* 29	Staples Pur.	1191.40					
15	Freight	296.60					
5	Accts Payable	1793.65					

NOTE.—The above form of Purchase book may be used when the record of due dates of invoices is kept in the daily memorandum book. See page 79.

JOURNAL

REBATES DEBIT BOQE

Mar.	18	34	Standard Refining Co. 4 c/s G. M. Syrup 2 doz. ea.	Short on bill of 7th	1.05	8	40	
"	20	37	East India Tea Co. 1475 lbs. Java Coffee, rebate		0.3	44	25	
"	27	15	E. R. Boynton 5 c/s Safety Matches, returned		3	20	16	00
***	31	4	Accounts Payable	68.65				
		17	Mds. Purchases		68.65			

EXERCISE

1. Following are the balances taken from the books of W. Short & Co., at Dec. 31, 19—.

Debit balances: Cash \$250.24, Bank \$381.38, Bills Receivable \$971.32, Accts. Receivable \$2280.56, Goodwill \$1500, W. Short (Priv. Acct.) \$20, D. Short (Priv. Acct.) \$30, Freight-in \$15.60, Mdse. Purchases \$3736.92, Mdse. Inventory \$6615.44, Rebates off Sales \$28.80, Cash Disc. off Sales \$26.58, General Expense \$988.35, Bad Debts \$132.96.

Credit balances: Accts. Payable \$829.03, Bills Payable \$1698.34, W. Short, Capital \$6000, D. Short, Capital \$5000, Mdse. Sales \$3270.05, Rebates off Purchases \$41.74, Cash Disc. off Purchases \$13.87, General Expenses \$40, Reserve for Bad Debts \$85.12.

The Expense Analysis sheet totals are: Advertising \$40.55, Travelling Expenses \$70.55, Salesmen's Salaries \$90, Cartage-out \$1.85, Rent \$150, Light and Fuel \$6.50, Repairs \$13.20, Office Salaries \$60, Office Expenses \$18.30, Exchange \$4.35, Legal Expenses \$15.55 = Total \$170.85.

Inventories at beginning included in General Expense account. Assets, Office Furniture \$427.50, Insurance in advance \$56.25, Coal on hand \$33.75. Liabilities, Salesmen's salaries \$25, Office salaries \$15.00.

Inventories at closing: Mdse. \$7722.39, Coal \$16.87, Insurance in advance \$53.12, Furniture now worth \$416.25, Rent paid in advance \$75.

Allow partners 6% per annum for the month of December on capital invested, to be adjusted through their private accounts. Carry forward 1% on Accounts Receivable as a reserve for further bad debts.

Prepare the Financial Statement from the foregoing data.

Make the Journal entries to close the books.

2. Following are the balances taken from the books of Butler & Nelson at Dec. 31, 19—.

Debit balances: Cash \$200, Bank \$10860, Bills Receivable \$1770, Accts. Receivable \$9390, Butler (Priv. Acct.) \$300, Nelson (Priv. Acct.) \$300, Duty \$400, Freight-in \$110, Disc. off Sales \$360, Rebates off Sales \$220, Dept. A. Purchases \$8000, Department A. Inventory \$10000, Dept. B. Purchases \$4000, Dept. B. Inventory \$5000, Freight-out \$120, Delivery \$400, Advertising \$50, Salesmen's Salaries \$240. Salesmen's Travelling Expenses \$60, Entertainment of Customers \$25, Real Estate \$9000, Insurance \$120, Repairs \$20, Heat and Light \$75, Office Salaries \$300, Office Expenses \$65, Int. and Disc. \$10, Donations \$25, Bad Debts \$50.

Credit balances: Bills Payable \$980, Accts. Payable \$7250, Mortgage Payable \$5000, R. D. Butler, Capital \$20000, J. C. Nelson, Capital \$10000, Disc. off Purchases \$240, Rebates off Purchases \$300, Dept. A. Sales \$12000, Dept. B. Sales \$6000.

DISTRIBUTIONS. Duty, Dept. A. \$310, Dept. B. \$90; Freight-in, Dept. A. \$270, Dept. B. \$140; Rebates off Purchases, Dept. A. \$170, Dept. B. \$130; Rebates off Sales, Dept. A. \$140, Dept. B. \$80.

INVENTORIES. Mdse., Dept. A. \$9600, Dept. B. \$4800; Interest accrued on Mortgage \$25; Salesmen's Salaries accrued \$12, Office Salaries accrued \$20; Insurance paid in advance \$100.

Allow interest at 6% per annum for one month on capital, to be adjusted through private accounts. Carry forward a reserve of 2% on Accounts Receivable, value Real Estate at cost.

Prepare the Financial Statement from the foregoing. ✓

Make Journal entries to close the books.

SET IV

WHOLESALE DRY GOODS BUSINESS

SPECIAL FEATURES.—Use of Purchase Ledger; special columns for Department Purchases and Sales; Expense Analysis sheet for distribution of Expenses. See pages 69 to 75.

INSTRUCTIONS

(a) **BOOKS TO BE USED.**—Purchase Book, Sales Book, Cash Book, Bill Book, Journal, all as principal Books; General, Purchase, Sales Registers.

(b) **THE PURCHASE BOOK.**—This book has special columns for Freight, Dress Goods and Silks, Gloves and Hosiery, Staples. Enter the freight on a separate line from the invoice and distribute it on the same line to its proper department. This serves to post the freight to the debit side of the department account, and it should be posted from the Freight column total to the credit of Freight account, and from the cash book to the Dr. of Freight account, which then balances.

(c) **THE SALES BOOK.**—This book has the same special columns as the Purchase Book, except that Freight is omitted. Post in totals to the Dept. accounts.

(d) **CASH BOOK.**—This book has special columns as follows: Debit Side—As in illustration page 46. Credit side—As in illustration page 47.

(e) The Cash Discounts are posted in totals from the footing of the Cash Book columns to the accounts Discounts off Sales and Discounts off Purchases. These accounts are closed at the end of the month to Loss and Gain account.

(f) Keep separate accounts in the Ledger for the three departments, each in three parts: Dress Goods and Silks Purchases, Dress Goods and Silks Sales, Dress Goods and Silks Inventory. Similarly for the others.

(g) Keep one account in the Ledger for Expense. Post to it in totals from the Expense Dr. column in the cash book. At the middle and end of each month distribute this to its several parts, as shown in the Analysis sheet, by a Journal entry thus:—

(a) Travelling Expenses,	Dr.
Salesmen's Salaries,	Dr.
Rent,	Dr.
Office Salaries, Etc., Etc.,	Dr.
General Expenses, Cr.	

For distribution of Expenses for the half-month.

or (b) Selling Expenses,	Dr.
Expenses of Maintenance, Dr.	
Administration Expenses, Dr.	
General Expense, Cr.	

For distribution of Expenses for the half-month.

Close these accounts then in the usual way to Loss and Gain account. The books will thus show in detail the character of the expenses.

Write up the Expense Analysis sheet from the Cash Book column at the middle and end of each month. The totals at the end of the month give the data necessary for the financial statement.

(h) In making deposits charge no exchange on local cheques; charge $\frac{1}{2}\%$ on out-of-town cheques, but in no case less than 10 cents. In discounting bills charge exchange only as directed. No exchange on bank drafts except as directed.

NOTE.—In dealing with Expense one method should be adopted and adhered to throughout. Two methods of distribution are suggested. It is **not necessary** to distribute at all, and this may be adopted as a third option.

DIRECTORY

Bond R., Toronto.
Bulmer Bros., Stratford.
Canada Knitting Co., The,
St. Hyacinthe, P. Q.
Dominion Glove Co., The, Montreal.
Duncan Rae & Co., Brantford.
Graham & Gardiner, Woodstock.
Gilmour & Co., Peterborough.
Hall & Rutherford, Kingston.
Hastings, J. H., Belleville.
Henderson, John, Chatham.
Imperial Cotton Co., The, Hamilton.

Irwin, W. & Co., Toronto.
Martin, S., Toronto.
Mills, G., Toronto.
McArthur, J. D., Hamilton.
McGregor, R., St. Thomas.
Pierson, A. R., Walkerton.
Simpson Bros., St. John, N. B.
Sprague, D. E., Guelph.
Webb, T. R. & Co., Montreal.
Williams, J. S., Kitchener.
Wilson Rhodes & Co., Cobourg.

LEDGER LINES

SALES LEDGER. Five pages, 4 accounts to the page.

PURCHASE LEDGER.—Two pages, 4 accounts to the page.

GENERAL LEDGER.—Accounts Receivable, Bills Receivable, Accounts Payable, Bills Payable, each one-half page; C. W. Ramsay, R. H. Skelton, A. S. Rogers (Cap. Accts.); C. W. Ramsay, R. H. Skelton, A. S. Rogers (Priv. Accts.); Freight, Discount off Purchases, Discount off Sales, Dress Goods Purchases, Dress Goods Sales, Dress Goods Inventory, Gloves and Hosiery Purchases, Gloves and Hosiery Sales, Gloves and Hosiery Inventory, Staples Purchases, Staples Sales, Staples Inventory, General Expense, Selling Expenses, Expenses of Maintenance, Administrative Expense, Interest and Discount, Bad Debts, each one-third page.

MEMORANDA TO TRANSACTIONS

Toronto, Jan. 3, 19—. C. W. Ramsay and R. H. Skelton have this day entered into a partnership agreement to carry on a Wholesale Dry Goods business at 35 Wellington St. East, under the firm name of C. W. Ramsay & Co. The Assets and Liabilities of the partners are taken at the value assigned to them in the statement attached to the articles of agreement. Each partner is to devote his whole time to the business and is to receive interest at the rate of 5 per cent. per annum on his net investment, as shown by the above-mentioned statement, such interest to be adjusted through the partners' private accounts after the Loss and Gain account has been closed, and the remaining gain or loss is to be shared, Ramsay $\frac{2}{3}$, Skelton $\frac{1}{3}$. Their investments are as follows:—C. W. Ramsay, Assets: Cash in the Imperial Bank, \$3000; Dress Goods on hand, \$9500; Gloves and Hosiery on hand, \$2300; Staples on hand, \$3700; Office Furniture, \$450; Notes on hand, No. 1, made Dec. 16 by A. Sherwood for \$250 at 30 days; No. 2, made Nov. 23 at 2 months by W. Teasdale for \$175 with interest at 6 per cent. Accounts Receivable as follows; S. Martin, \$225.50; R. Bond, \$137.20; G. Mills, \$260.30; unexpired insurance, \$75. Liabilities: Accounts Payable, T. R. Webb & Co., \$425; The W. Irwin Co., \$360.20 (a note made Dec. 20, at 30 days, favour T. R. Webb & Co. for \$250; an accepted draft drawn at one month after date by Jeffrey & Barker, Montreal, Dec. 24, for \$330).

R. H. Skelton invests Cash \$7500, which is deposited in the Imperial Bank, and a draft at 10 days drawn on G. Munroe & Co., Toronto, Dec. 22, for \$1000, and accepted Dec. 24.

Draw up the combined balance sheet with supporting schedules for Accounts, Bills and Mdse.

NOTE.—Make the necessary opening entries in the books, post and take off a trial balance of the three **LEDGERS**.

The store is rented from G. W. Lyman at \$300 a month, payable in advance. Pay the rent for January by cheque.

Engaged J. Anderson as salesman in the Dress Goods Dept. at \$18 a week, and W. Wyke at \$15 a week; G. Goodman and H. Birks in the Staples Dept. at \$15 each per week, and T. Hand in the Gloves Dept. at \$15 a week. Engaged Student as Bookkeeper at \$18 a week and Miss M. Wallace as Stenographer at \$10 a week.

Received the following invoice of Dress Goods from T. R. Webb & Co., Dec. 28, 1891, \$20 pes. Broadcloth, 63², 62¹, 65³, 63², 67¹, 68, 66, 72², 69³, 70, 65², 66¹, 62², 67³, 68¹, 69, 72, 73¹, 68, 67² = @ 55c.; 16 pes. Cashmere, 65³, 67¹, 68³, 72, 71², 73, 69², 68, 69², 66³, 65, 68, 69³, 72, 73¹, 71 = @ 22¹c.; 24 pes. Tweed, 67¹, 65², 68, 66¹, 67, 64¹, 62, 68², 72, 71³, 74, 71, 73¹, 68¹, 69, 71², 73, 72¹, 73², 66, 69², 68, 67², 68¹ = @ 30c.; 10 pes. Serge, 66², 61, 67³, 68, 72, 67¹, 63, 69¹, 72, 71² = @ 37¹c.

The following sales have been made: To S. Martin, 2¹ pes. 4 pes. Satin, 62¹, 67¹, 72, 68 @ 67¹c.; 3 pes. Irish Poplin, 68², 73¹, 74 @ \$2.25; 4 doz. prs. Perrin's Kid Gloves @ \$6.87¹; 3 bxs. Cashmere Gloves, 4 doz. prs., @ \$6; 12 doz. prs. Cotton Hose (coloured) @ \$1.90; 8 doz. prs. Silk Hose @ 88.

To R. Bond, 2¹ pes. 3 pes. Broadcloth, 62¹, 63², 65 @ 67¹c.; 5 pes. Tweeds, 63, 64², 67, 65¹, 69 @ 37¹c.; 4 pes. China Silk, 63², 68, 65², 67¹ @ 35c.; 2 bxs. Cashmere Gloves, 3 doz., @ \$6; 1 doz. Cape Gloves @ \$10.50.

Paid for Office Supplies by cheque \$25.40 and for a set of Office Books, also by cheque, \$45.20.

Received from G. Munroe & Co., a cheque in payment of their acceptance of Dec. 22, favour R. H. Skelton. Deposit the cheque.

Paid by cheque for freight on Invoice of T. R. Webb & Co., Dec. 28, \$7.25.

Received from S. Martin and R. Bond, cheques in full of account to Dec. 31. Deposited Bond's cheque and had Martin's cheque cashed, keeping the money on hand to meet expenses.

Received the following invoices:

W. Irwin & Co., Jan. 3, 2¹ pes. 10 pes. Taffeta, 65, 67², 63², 65¹, 68, 72², 73¹, 69, 65², 68 = @ 40c.; 16 pes. China Silk, 70¹, 67², 66, 65¹, 68, 69², 72¹, 74, 68², 66³, 65, 67², 72, 71¹, 68, 65² = @ 15c.; 10 pes. Irish Poplin, 68², 67¹, 69³, 67, 68¹, 66², 70, 67², 69, 68 = @ \$1.75; 15 pes. Chantung, 62¹, 64², 67², 66, 69, 73, 68¹, 67¹, 66, 72¹, 68², 67, 70, 64, 68² = @ 78c.; 20 pes. Foulard, 67, 68¹, 66, 69², 65, 67¹, 69, 65³, 66, 68¹, 69, 65², 64, 70², 71, 63², 68, 66¹, 67, 65² = @ 37¹c.

The Dominion Glove Co., Dec. 31, 2¹ pes. 24 doz. Perrin's Kid Gloves @ \$9; 16 doz. prs. Cape Gloves @ \$7.50; 20 doz. prs. Ringwood Gloves @ \$8.70; 40 bxs. Cashmere Gloves, 55 doz. prs., @ \$4.75; 10 doz. prs. Lined Buck Gloves @ \$17.50.

The following sales have been made:

To Bulmer Bros., 2¹ pes. 3 doz. Black Cotton Hose @ \$1.80; 5 doz. Lisle Thread Socks @ \$5.85; 10 doz. Cashmere Hose @ \$5.75; 6 pes. Percale, 31², 30¹, 33², 34, 31¹, 35² @ 12¹c.; 5 pes. Windsor Print, 22¹, 25, 24², 23², 26 @ 8c.; 3 pes. Gingham, 37¹, 38², 36³ @ 1¹2c. To Hall & Rutherford, 2¹ pes. 5 doz. prs. Huckaback Towels @ \$3.60; 2 doz. Bleached Damask Table Cloths @ \$30; 10 prs. Flannelette Blankets @ \$1.10; 5 pes. Heavy Denim, 37¹, 38¹, 39, 36², 42 @ 18c.; 8 pes. Plaids, 63², 65¹, 64, 72¹, 68³, 67, 69¹, 67² @ 60c.; 4 pes. Foulard, 65², 67³, 61, 68² @ 47c.

5. Remitted to T. R. Webb & Co., a cheque in full for their invoice received Jan. 3.
 Drew on S. Martin and R. Bond at sight for the amount of the sales of Jan. 3, less discount. Left the drafts at the bank for collection.
 Received from G. Mills his cheque in full of account.
 Paid express on the invoice of the Dominion Glove Co. by cheque \$1.25.

The following sales have been made :

To J. D. McArthur, $\frac{5}{10}, \frac{n}{60}$ 5 pes. China Silk, 65, 67², 69³, 66, 68² @ 18c.; 8 pes. Taffeta, 62³, 61², 67¹, 68, 69³, 6, 7, 65¹, 66 @ 50c.; 6 pes. Merveilleux, 65³, 61², 64, 68¹, 67³, 69 @ \$1.05; 4 doz. Perrin's Kid Gloves @ \$12; 5 doz. Cape Gloves @ 89; 2 doz. Lined Buck Gloves @ \$15; 12 prs. Flannel Blankets @ \$1.10; 2 doz. prs. Damask Towels @ \$7.10.

To Duncan Rae & Co., $\frac{5}{10}, \frac{n}{60}$ 5 pes. Broadcloth, 61², 64³, 67¹, 69, 62 @ 45c.; 2 pes. Blk. Cashmere, 65², 68¹ @ 75c.; 3 pes. Tweed, 64, 63², 67 @ 37 $\frac{1}{2}$ c.; 5 pes. Tweed, 62¹, 67³, 65, 64², 68 @ \$1.05; 4 pes. Grosgrain, 69¹, 67², 65, 71² @ 62 $\frac{1}{2}$ c.; 6 pes. Satin, 72¹, 70³, 68, 69², 70¹, 72 @ 67 $\frac{1}{2}$ c.; 4 doz. Cotton Hose, colored, @ \$2.20; 5 doz. Lisle Thread Hose @ \$6.40; 1 doz. Bleached Damask Table Cloths @ \$30.

The following goods have been received from the Canada Knitting Co., Jan. 3, $\frac{5}{10}, \frac{n}{60}$: 30 doz. Black Cotton Hose @ \$1.25; 25 doz. Coloured Cotton Hose @ 85c.; 10 doz. Lisle Thread Hose @ \$6.50; 5 doz. Lisle Thread Socks @ \$4.35; 20 doz. Silk Hose @ \$22.50; 40 doz. Cashmere Hose @ \$4.70.

6. Remitted to W. Irwin & Co., cheque for the net amount of the invoice received Jan. 4.
 Paid for stamps and stationery in cash, \$2.25.

The following sales have been made :

To Gilmour & Co., $\frac{3}{10}, \frac{n}{30}$, 6 pes. Bleached Cotton, 37², 35, 38³, 37, 36², 39 @ 10c.; 4 pes. C. Flannel, 36², 37, 38¹, 35 @ 15c.; 5 pes. S. Chambray, 29, 31², 30, 33¹, 32 @ 19c.; 7 pes. Printed Lawns, 22¹, 24, 23², 25, 26¹, 24³, 22 @ 10c.; 4 doz. prs. Ringwood Gloves @ \$10.60; 4 doz. prs. Perrin's Kid Gloves @ \$18.

D. E. Sprague, $\frac{2}{10}, \frac{n}{20}$, 10 pes. Coloured Cashmere, 65², 68¹, 69, 67, 68², 69, 70, 67, 69², 67 @ 30c.; 8 pes. Serge, 67², 68, 72, 69¹, 67, 69², 66, 70¹ @ 50c.; 6 pes. Taffeta, 62¹, 67², 68, 66¹, 69, 71¹ @ 68c.

7. The bank has notified us that the drafts drawn on S. Martin and R. Bond have been collected and the proceeds, less $\frac{1}{8}$ per cent. for collection, credited to us.
 Drew on Bulmer Bros., and on Hall & Rutherford, for the amount of the sales of Jan. 4, and left the drafts at the bank for collection.
 Remitted to the Dominion Glove Co., a cheque for the bill of Dec. 31.
 The following goods have been received from the Imperial Cotton Co., Jan. 5, $\frac{5}{10}, \frac{n}{60}$: 20 pes. Percale, 30, 32¹, 33², 31, 35², 33, 31³, 32, 30, 34¹, 33², 32³, 31, 33¹, 34², 34, 33², 35, 31, 30² @ 9 $\frac{1}{2}$ c.; 10 pes. Printed Lawns, 25, 24², 26, 23, 22², 24, 26, 25², 24, 23 @ 9c.; 15 pes. Windsor Prints, 22, 24¹, 22², 21, 25, 24², 26, 23², 24¹, 23, 21², 26, 24¹, 25, 23² @ 7 $\frac{1}{2}$ c., 12 pes. S. Chambray, 29, 33, 29¹, 30, 32¹, 33², 30, 31, 34, 32, 31³, 32 @ 16; 8 pes. C. Flannel, 35, 37¹, 38, 40, 36², 37, 39¹, 40 @ 12 $\frac{1}{2}$ c.

The following sales have been made :

To J. S. Williams, $\frac{3}{10}, \frac{n}{30}$, 5 pes. Merveilleux, 63², 61³, 65, 66², 67 @ \$1.05; 6 pes. Satin, 64¹, 65, 67³, 62, 68¹, 67 @ 67 $\frac{1}{2}$ c.; 4 doz. prs. Ringwood Gloves @ \$5.90; 12 doz. prs. Cashmere Gloves @ \$6; 2 doz. prs. Cashmere Gloves @ \$9; 6 doz. prs. Black Cotton Hose @ \$2.25.

To J. Henderson, $3 \frac{3}{10}, 10, 20$, 8 pcs. Percale, 34¹, 33², 31, 33², 32, 35, 30, 31 @ 13c. ; 5 pes. Printed Lawns, 24¹, 25, 23², 26, 22 @ 12 $\frac{1}{2}$ c. ; 10 pes. Windsor Prints, 22¹, 26², 24, 23¹, 24, 25², 26¹, 22, 24³ @ 10c. ; 4 doz. prs. Damask Towels @ \$7.10 ; 5 doz. Bleached Damask Table Cloths @ \$30 ; 10 prs. Flannel Blankets @ \$1.10.

Paid the salaries for the week by cheque. Paid the bill of the Electric Light Co. in cash, \$8.65.

9. D. E. Sprague has reported the sale to him on the 6th, short 3 pes. Coloured Cashmere, 65², 68¹, 69, and we have credited him with the amount.

Remitted to the Canada Knitting Co., a bank draft purchased by cheque (exchange $\frac{1}{8}$ %) for their invoice received Jan. 5.

The following goods have been received from Simpson Bros., Jan. 4, $5 \frac{1}{10}, 10, 20$: 16 pes. Gingham, 35², 36, 37¹, 38², 36¹, 35², 38¹, 40, 37², 35³, 34, 36², 38, 37¹, 39, 36² @ 11 $\frac{1}{2}$ c. ; 24 pes. Bleached Cotton, 35², 36, 37², 37³, 34, 35², 37, 36³, 37, 35¹, 38, 39², 37², 36², 37, 39¹, 35, 38², 37¹, 36, 38³, 39, 37¹ @ 8c. ; 20 pes. Heavy Denims, 40¹, 42, 43², 47, 48², 41, 45³, 47, 44, 46², 43², 47, 55, 54², 50, 46², 47, 43¹, 45¹, 48 @ 15c. ; 10 doz. prs. Flannel Blankets @ 90c. a pair.

10. Drew on J. D. McArthur at sight for the amount of the sale of the 5th, and left the draft at the bank for collection.

The following sales have been made :

To Graham & Gardner, $3 \frac{3}{10}, 10, 20$, 10 pes. Bleached Cotton, 35², 37, 42¹, 39², 37³, 38, 43, 44¹, 38, 39 @ 10c. ; 8 pes. Heavy Denim, 38, 43², 47, 49, 36³, 38, 45², 47 @ 18c. ; 5 pes. Plaids, 62¹, 65², 68³, 67¹, 64² @ 60c.

To R. McGregor, $3 \frac{3}{10}, 10, 20$, 10 pes. Tweeds, 64¹, 63, 67², 69, 67, 65³, 68, 65, 69¹, 67 @ \$1.05 ; 10 pes. Black Cashmere, 68², 67¹, 65, 66³, 68, 64², 69², 72¹, 68, 66³ @ 75c. ; 8 pes. Foulard, 67², 61, 63², 65, 68³, 67², 69, 64 @ 47c. ; 10 pes. Chantung, 69, 72, 67³, 68, 67³, 69, 64², 61, 67³, 66 @ 92c. ; 8 pes. Irish Poplin, 64², 68, 67¹, 65³, 66², 69, 67³, 65 @ \$2.25.

11. Received from Duncan Rae & Co., their cheque for the amount of the sale to them on the 5th, less discount. Deposited the cheque.

The bank has reported the drafts on Bulmer Bros. and on Hall & Rutherford, left for collection, collected and credited, less exchange $\frac{1}{8}\%$.

The following sales have been made :

To J. H. Hastings, sight draft on receipt of goods, less $5\frac{1}{2}\%$, $4\frac{1}{2}$ doz. Perrin's Kid Gloves @ \$12 ; $7\frac{1}{2}$ doz. Cape Gloves @ \$10.50 ; 10 doz. Cashmere Gloves @ \$6 ; 6 doz. Cashmere Gloves @ \$9 ; 5 doz. Cashmere Hose @ \$1.90 ; 10 doz. Cashmere Hose @ \$5.75 ; 8 doz. Cashmere Hose @ \$8.90. Draw the draft and leave it with the bank for collection.

To Wilson Rhodes & Co., $3 \frac{3}{10}, 10, 20$, 8 $\frac{1}{2}$ doz. Black Cotton Hose @ \$1.80 ; 10 doz. Coloured Cotton Hose @ \$2.20 ; 6 pes. Percale, 30², 33, 35¹, 32, 34, 32³ @ 12 $\frac{1}{2}$ c. ; 5 pes. Printed Lawns, 24¹, 22¹, 23, 26², 24 @ 10c. ; 15 prs. Flannel Blankets @ \$1.10 ; 1 $\frac{1}{2}$ doz. Bleached Damask Table Cloths @ \$30.

12. These goods have been received from the Imperial Cotton Co., Jan. 9, $5 \frac{1}{10}, 10, 20$: 20 doz. prs. Hemstitched Huckaback Towels @ \$3 ; 15 doz. prs. Damask Towels @ \$5.60 ; 24 doz. Bleached Damask Table Cloths @ \$2.50 ; 5 pes. C. Flannel, 37, 39², 36³, 40, 38³ @ 10c. ; 12 pes. S. Chambray, 30, 31², 31, 30, 33², 30¹, 32, 33², 34, 30, 31, 32¹ @ 18c.

Paid freight on the foregoing invoice in cash, \$5.60.

Paid J. Mason in cash for cleaning the store, \$10.50.

The bank has reported the draft on J. D. McArthur, Jan. 10, collected and credited, less exchange $\frac{1}{8}\%$.

The following goods have been sold to A. R. Pierson: 6 pcs. Bleached Cotton, 35, 36², 38, 37², 42¹, 44¹ @ 10c.; 3 pcs. Broadcloth, 66¹, 67, 65² @ 45c.; 6 doz. Lined Buck Gloves @ \$15; 3 doz. prs. Damask Towels @ \$7.10; 5 doz. prs. H. H. Towels @ \$3.60. By their request these goods have been shipped C.O.D., less 5%.

NOTE.—Open a C.O.D. Account in the Sales Ledger and enter this sale. The discount is deducted on the bill, but it may be entered through the books at full amount or net amount as desired.

13. C. W. Ramsay and R. H. Skelton have each withdrawn \$50 by cheque.

Upon examination the Chambray in the invoice of the Imperial Cotton Co., Jan. 9, is found to be of inferior quality, and we refuse to accept it. Write them stating this fact and inquiring what they wish us to do with it.

Sold to S. Martin, ³/₁₀, ²/₃₀, 6 pcs. Broadcloth, 63², 67¹, 65, 68², 66³, 69¹ @ 75c.; 4 pcs. Black Cashmere, 68, 67², 66, 69³ @ 55c.; 6 pcs. Tweed, 67², 66³, 68, 65¹, 69, 67¹ @ 62¹2c.; 4 pcs. Serge, 68, 67², 66¹, 69 @ 80c.

✓ Paid in cash a bill for advertising, \$10.50.

14. The Imperial Cotton Co. have asked us to take the Chambray at 14c. We have agreed to this and have requested them to send us a credit note for the rebate of 4c. a yard.

Received the following goods from T. R. Webb & Co., Jan. 10, ⁵/₁₀, ²/₆₀: 18 pcs. Broadcloth, 62¹, 65, 63², 64, 61², 65, 62³, 61², 60, 67, 63², 64, 61, 65², 67, 68³, 60, 64¹ @ 35c.; 20 pcs. Black Cashmere, 65¹, 60, 67², 64², 66, 68², 67, 65, 66³, 64, 67³, 62, 61¹, 65, 62³, 66, 61, 67², 64, 68 @ 55c.; 16 pcs. Tweeds, 64, 65², 66, 67³, 68, 64¹, 65, 67³, 66, 62¹, 70, 63¹, 65, 64³, 62, 69 @ 87¹2c.; 24 pcs. Plaids, 61, 65², 64, 67³, 68, 69², 67, 64³, 67³, 65, 68¹, 67, 65², 67, 66¹, 64, 65¹, 66, 68¹, 61², 65, 63², 64, 62¹ @ 48c.

✓ Paid freight on the above invoice in cash, \$7.75.

Received from Gilmour & Co. their cheque for the amount of the sale to them on the 6th, less discount. Deposited the cheque.

✓ Paid by cheque the bill of the City Dray Co. for cartage for two weeks, \$25.50.

Paid salaries for the week by cheque. Close the Cash Book. Write up the Expense Analysis Sheet. Post totals and take off a Trial Balance. Prepare the Financial Statements. Close the books.

Inventories, page 3.

15. The bank reports the draft on J. H. Hastings, Jan. 11, collected and credited, exchange $\frac{1}{8}\%$.

Drew on D. E. Sprague, at 20 da. from date of the bill, for the amount of the sale of the 6th, less shortage reported on the 9th.

Remitted to the Imperial Cotton Co. a bank draft purchased by cheque, exchange $\frac{1}{8}\%$, in payment of the invoice received Jan. 7.

The following sales have been made:

To Duncan Rae & Co., ³/₁₀, ²/₃₀, 6 pcs. Cashmere (black), 67², 69, 68³, 67, 69¹, 66 @ 25c.; 5 pcs. Cashmere (coloured), 69, 67², 68, 67, 68¹ @ 57¹2c.; 4 pcs. Tweed, 69², 67, 68³, 66 @ 15c.; 4 pcs. Heavy Denims, 37², 36, 38¹, 39 @ 15c.; 5 doz. prs. H. H. Towels @ \$5.80; 2 doz. Bleached Damask Table Cloths @ \$15.

To Hall & Rutherford, ²/₁₀, ²/₃₀, 6 pcs. Heavy Denims, 37, 38², 35, 36³, 37, 39¹ @ 20c.; 7 pcs. Bleached Cotton, 36, 37¹, 38, 35³, 39, 37, 36² @ 12¹2c.; 20 prs. Flannel Blankets @ \$1.25; 5 doz. prs. Damask Towels @ \$3.75; 4¹₂ doz. prs. Black Cotton Hose @ 95c.; 7¹₂ doz. prs. Lisle Thread Socks @ \$1.60; 2 doz. prs. Silk Hose @ \$14.50.

Received from the Imperial Cotton Co. a credit note for the amount of the rebate agreed to on the 14th.

17. S. Martin reported the goods bought by him on the 13th, short 2 pes. Broadcloth, 66¹, cost price 75c. We gave him a credit note for the amount.

Received from J. S. Williams, a bank draft for the amount of the bill of the 7th, less discount.

The following sales have been made :

To Bulmer Bros., 3¹/₂, 5¹/₂, 5¹/₂ doz. Cape Gloves @ \$13; 12¹/₂ doz. Cashmere Gloves @ \$3.25; 5 pes. Percale 32, 34¹, 31, 33², 30² @ 15c.; 8 pes. Printed Lawns, 24, 22¹, 25, 26², 23, 22¹, 24, 21 @ 13c.; 3 pes. Merveilleux, 65, 66¹, 69 @ \$1.24; 3 pes. Satin, 67², 69, 68¹ @ 87¹/₂c. To G. Mills, 30 da. 4 pes. Satin, 67, 68¹, 66, 69 @ 17¹/₂c.; 5 pes. Irish Poplin, 65, 67¹, 68, 66¹, 69 @ \$1.75; 6¹/₂ doz. prs. Cotton Hose @ \$1; 2¹/₂ doz. prs. Lisle Thread Hose @ \$2.25; 5 doz. prs. H. H. Towels at \$7.20; 15 prs. Flannel Blankets @ \$1.40.

18. Simpson Bros. have drawn on us, at 60 days from date of invoice, for the amount of the purchase received on the 9th. Accept the draft.

Paid by cheque the Imperial Cotton Co. single draft on us for the bill of the 12th, less rebate and discount.

The Express Co. has handed us an E.M.O. for Pearson's C.O.D. order of the 12th, less charges 29c. Received from A. Sherwood, cheque in payment of his note due to day, \$350. Deposited these cheques, and the bank draft received on the 17th.

Received from W. Irwin & Co., the following goods purchased on the 17th: terms 2¹/₂, 3¹/₂, 4¹/₂; 10 pes. Taffeta, 65², 68, 64³, 67², 66, 68², 65, 67³, 62, 69 @ 52¹/₂c.; 18 pes. Grosgrain, 63², 67, 64, 63², 67, 65, 67², 68, 66, 65¹, 68, 67³, 66², 64, 69, 61³, 62, 65 @ 55c.; 8 pes. China Silk, 62¹, 60, 65, 67¹, 69, 66, 63, 64² @ 28c.; 16 pes. Satin, 70, 71¹, 70, 73¹, 72, 71¹, 75, 70, 72¹, 74, 71¹, 73, 70, 72, 71¹, 73² @ 55c.

Sold to J. S. Williams, 2¹/₂, 3¹/₂, 4¹/₂, 5 pes. Coloured Cashmere, 67, 68, 67¹, 69, 66 @ 80c.; 4 pes. Serge, 67, 68², 66, 69³ @ 81.12¹/₂; 6 pes. Plaids, 65, 67², 66, 66¹, 69, 67 @ 81.15; 6 doz. Perrin's Kid Gloves @ \$8.67¹; 4 doz. Lined Buck Gloves @ \$25; 5 doz. Lisle Thread Socks @ \$8.10; 3 doz. Silk Hose @ \$33.

19. Drew on J. Henderson at 30 da. from date of bill, for the amount of the sale of the 7th.

Received from Graham & Gardner, their cheque for the amount of the sale of the 10th, less discount.

Bought from the Dominion Glove Co., the following goods: terms, Jan. 16, 2¹/₂, 3¹/₂, 4¹/₂; 24 doz. Lined Buck Gloves @ \$12; 12 bxs., 18 doz., Cashmere Gloves @ \$7.50; 30 doz. Perrin's Kid Gloves @ \$15; 18 doz. Ringwood Gloves @ \$4.50; 20 doz. Cape Gloves at \$8.75.

Sold to D. E. Sprague, 2¹/₁₀, 3¹/₂₀, 8 pes. Windsor Prints, 25, 23², 24, 23¹, 22, 25¹, 26, 23³ @ 11¹/₂c.; 6 pes. S. Chambray, 32¹, 30, 29¹, 31, 30, 31 @ 17¹/₂c.; 10 doz. H. H. Towels @ \$3.00; 3 doz. Bleached Damask Table Cloths @ \$25; 6 pes. Gingham, 36¹, 37, 42¹, 38², 39, 43 @ 13c.

20. Bought from the Canada Knitting Co., Jan. 17, 2¹/₂, 3¹/₂, 4¹/₂, 24 doz. prs. Black Cotton Hose @ \$1.75; 30 doz. prs. Coloured Cotton Hose @ \$1.80; 20 doz. prs. Lisle Thread Hose @ \$4.80; 40 doz. prs. Silk Hose @ \$11.50; 30 doz. prs. Cashmere Hose @ \$1.60; 20 doz. prs. Cashmere Hose @ \$6.70.

Remitted to T. R. Webb & Co., a bank draft, purchased by cheque, for the amount of the invoice received Jan. 14, less discount; exchange $\frac{1}{8}\%$.

Paid by cheque the express on the invoice of the Dominion Glove Co., \$10.75, Jan. 16.

21. Drew on R. McGregor at 30 days from Jan. 19 for the amount of the sale of that date. Discounted the draft at the bank at 7% and deposited the proceeds; exchange $\frac{1}{8}\%$.

Received from Wilson Riddle & Co., their cheque for the amount of the sale on the 11th, less discount.

BOOKKEEPING

Sold to J. D. McArthur, $\frac{5}{10}$, $\frac{11}{50}$, 8 pes. Serge, 65², 67, 66³, 69, 68¹, 66, 65³, 69 @ 25c. ; 5 pes. Plaids, 72, 70³, 66, 67¹, 65 @ 17 $\frac{1}{2}$ c. ; 6 pes. Taffeta, 65², 67, 66³, 68, 69², 67 @ 75c. ; 5 pes. Foulard, 66², 65¹, 67³, 68, 71 @ 68c. ; 6 doz. prs. Ringwood Gloves @ \$3.50 : $\frac{21}{4}$ doz. prs. Lined Buck Gloves @ \$36.

Paid the salaries for the week by cheque. Bought two chairs for the office and paid for them by cheque, \$12.75.

Paid the City Dray Co. for cartage out for the week, in cash, \$12.50.

Deposited all cash in hand but \$100.

23. Sold to J. H. Hastings, sight draft, less 5 $\frac{1}{2}$, 4 doz. prs. Lisle Thread Hose @ \$8.50 : 3 doz. prs. Cashmere Hose @ \$8.90 ; 2 doz. prs. Silk Hose @ \$33 ; 6 pes. S. Chambray, 29¹, 32, 29³, 33, 31², 33 @ 20c. ; 8 pes. C. Flannel, 36², 37³, 39, 38¹, 37³, 39, 38², 36 @ 17 $\frac{1}{2}$ c. ; 3 pes. Gingham, 39, 36³, 38 @ 14c.

Bought from the Imperial Cotton Co., Jan. 20, $\frac{5}{10}$, $\frac{11}{50}$, 12 pes. Percale, 30², 31, 34³, 32, 35, 34², 31, 33, 35², 31, 34, 32 @ 10c. ; 10 pes. Printed Lawns, 22, 26, 24¹, 25², 23, 22², 25, 21³, 22, 26 @ 7 $\frac{1}{2}$ c. ; 10 pes. Printed Lawns, 23², 21, 25², 26, 21², 22, 24, 23, 25¹, 24 @ 11c. ; 16 pes. Windsor Prints, 22¹, 24, 21², 23, 25, 26, 24¹, 25, 27¹, 26, 24², 21³, 26, 21², 22, 24 @ 6 $\frac{2}{3}$ c. ; 8 pes. Gingham, 35², 37, 40, 36³, 41², 43², 39, 44¹ @ 9 $\frac{1}{2}$ c.

Remitted to T. R. Webb & Co., a bank draft in payment of our note due to-day : exchange $\frac{1}{2}$.

24. Remitted to the Canada Knitting Co., a bank draft for the amount of the bill received Jan. 20, less discount. Paid by cheque ; exchange $\frac{1}{2}$.

Drew on G. Mills at 30 days from date of bill, for the amount of the sale on the 17th. Had the draft accepted and discounted it at the bank at 7%. Proceeds credited.

Sold to R. McGregor, $\frac{3}{10}$, $\frac{11}{50}$, 5 doz. prs. Damask Towels @ \$8.40 ; 3 doz. Bleached Damask Table Cloths @ \$15 ; 20 prs. Flannel Blankets @ \$1.25 ; 5 pes. Bleached Cotton, 36, 38³, 39, 37², 40 @ 15c. ; 6 pes. Heavy Denims, 38, 42³, 45, 39¹, 44, 46³ @ 15c.

— Deposit all cheques on hand.

25. Received cheques from Duncan Rae & Co., and from Hall & Rutherford, for the bills of the 16th, less discount.

Drew at sight on J. H. Hastings for the bill of the 23rd, and left with the bank for collection.

Remitted to the Dominion Glove Co., a bank draft purchased by cheque for the amount of the bill received Jan. 19 ; exchange $\frac{1}{2}$.

Sold to Gilmour & Co., $\frac{3}{10}$, $\frac{11}{50}$, 5 pes. Broadcloth, 67, 66², 69, 68¹, 70 @ 67 $\frac{1}{2}$ c. ; 4 pes. Black Cashmere, 65, 69², 68, 72³ @ 55c. ; 3 pes. Plaids, 70, 72¹, 74 @ 60c. ; $5\frac{1}{2}$ doz. Perrin's Kid Gloves @ \$6.87 $\frac{1}{2}$; $3\frac{1}{4}$ doz. Cape Gloves @ \$9 ; $12\frac{1}{2}$ doz. Black Cashmere Gloves @ \$3.25.

— Deposited the cheques received to-day. Paid a bill for Stationery in cash, \$7.75.

26. Sold to J. Henderson, $\frac{3}{10}$, $\frac{11}{50}$, $12\frac{1}{2}$ doz. prs. Black Cotton Hose @ 95c. ; $22\frac{1}{2}$ doz. prs. Coloured Cotton Hose @ \$1.90 ; 10 doz. prs. Lisle Thread Hose @ \$2.25 ; 10 doz. prs. Lisle Thread Socks @ \$1.60 ; 12 doz. prs. Silk Hose @ \$8 ; 15 doz. prs. Cashmere Hose @ \$1.90.

Sold to Wilson Rhodes & Co., $\frac{3}{10}$, $\frac{11}{50}$, 8 doz. prs. Black Cotton Hose @ \$2.25 ; 5 doz. prs. Coloured Cotton Hose @ \$2.20 ; 10 doz. prs. Lisle Thread Hose @ \$2.25 ; 8 pes. Percale, 33¹, 34², 31, 33², 35, 31, 33³, 30 @ 15c. ; 6 pes. Printed Lawns, 22, 24¹, 25, 23², 26, 23³ @ 13c. ; 7 pes. Windsor Prints, 22¹, 23³, 24, 26², 25, 24³, 23 @ 11 $\frac{1}{2}$ c.

✓ Drew on S. Martin for the amount of the bill of the 13th, less credit, and had the draft accepted.

Received from W. Teasdale, a bank draft in payment of his note, \$175 and interest, due to-day.

Deposited the draft.

27. Received from Bulmer Bros., their cheque for the bill of Jan. 17.

Remitted to W. Irwin and Co., a cheque for the invoice received on the 18th.

Paid by cheque the freight on the invoice of the Imperial Cotton Co., received Jan. 23, \$7.75, and on the invoice of the Canada Knitting Co., received Jan. 20, \$12.50.

Sold to Graham & Gardner, $\frac{3}{10} \text{ to } \frac{1}{30}$ 6 pes. Broadcloth, 62², 67, 63¹, 65, 69², 67 @ 75c. : 5 pes. Tweed, 65¹, 63, 68², 60¹, 67 @ 37 $\frac{1}{2}$ c. : 4 pes. Grosgrain, 65¹, 64, 67², 66³ @ \$1.10 : 4 pes. China Silk, 69, 67², 62, 66² @ 30c. : 10 doz. prs. Ringwood Gloves @ \$3.50 : 8 doz. prs. Lined Buck Gloves @ \$1.5.

Remitted to Jeffrey and Barker, a bank draft in payment of our acceptance due to-day; exchange $\frac{1}{8}$.

28. Received from J. S. Williams, his cheque for the bill of the 18th, and from D. E. Sprague, a bank draft for the bill of the 19th.

Remitted to the Imperial Cotton Co., a bank draft, purchased by cheque, for the bill of Jan. 20, exchange $\frac{1}{8}$.

Sold to S. Martin, $\frac{3}{10} \text{ to } \frac{1}{30}$ 8 pes. S. Chambray, 29, 29¹, 32, 30, 33¹, 31, 30, 32² @ 19c. : 6 pes. C. Flannel, 37¹, 38², 39, 42¹, 40, 38³ @ 17 $\frac{1}{2}$ c. : 7 pes. Gingham, 36¹, 38², 37, 39³, 36, 40¹, 43 @ 14c. : 4 doz. prs. Perrin's Kid Gloves @ \$18 : 3 $\frac{1}{2}$ doz. Cape Gloves @ \$13 : 2 $\frac{1}{2}$ doz. Lined Buck Gloves @ \$36.

Paid the salaries for the week by cheque. Paid in cash a bill for advertising, \$11.75.

The partners withdrew each \$50 by cheque.

30. The bank reported the draft on J. H. Hastings on the 25th, collected and credited, less exchange $\frac{1}{8}$ per cent. D. E. Sprague has requested us to renew for 18 days his acceptance of the 6th, due to-day. We have drawn upon him for the amount, and added interest at $7\frac{1}{2}$ for 21 days.

Deposited all cheques and all cash but \$50.

Post up to date, post Totals and take off a trial balance.

Make out the financial statements. Adjust the interest between partners through their private accounts. Close the books, closing the private accounts to the capital accounts.

The following are the Inventories

Dress Goods and Silks.....	\$7685.57
Gloves and Hosiery.....	3907.46
Staples.....	3751.61

Office Furniture depreciated 5%— $2\frac{1}{2}$ % per half month.

Insurance paid in advance, \$60. Salaries for two days.

Allow 2% on Accounts Receivable and Bills Receivable for possible bad debts— $1\frac{1}{2}$ per half month.

OPENING THE BOOKS FOR FEBRUARY.

1. C. W. Ramsay & Co. this day admit A. S. Rogers as partner in their Wholesale Dry Goods business, upon his paying to C. W. Ramsay cash equal to one-half the amount of the capital standing to Mr. Ramsay's credit on the books of the firm, together with a bonus of \$500. One-half Mr. Ramsay's capital is then to be transferred from his capital account to Mr. Rogers' capital account on the firm's books.

By the new agreement, Ramsay and Skelton are each to receive a salary of \$100 a month, and Rogers a salary of \$50 a month. The remaining gain or loss to be divided equally.

Make the necessary entries for admitting the new partner. Post these entries and take a trial balance before going on with the work for February.

PARTNERSHIP SETTLEMENTS

The opening of partnership books and the division of profits have already been dealt with, pages 10 to 13. It remains to deal with problems arising out of winding up.

Some general principles should receive careful attention.

1. Partnership is defined in the Act as "The relation which subsists between persons carrying on a business in common with a view to profit."

2. In considering financial rights of partners it is necessary to distinguish :

- (a) Rights in capital,
- (b) Rights in respect to advances and undrawn profits,
- (c) Rights in profits and liability for losses.

3. According to the general theory of the Act capital is a fixed quantity—not varied except by agreement. If decreased by losses it must be restored. If increased by surplus, the surplus may be drawn.

4. Profits added to capital on the books of the firm are by this step then implied to be capital.

5. A loan by a partner carries a right to 5% interest unless otherwise agreed.

6. Advances, or loans, by partners to the firm rank for repayment before capital but after ordinary creditors.

7. *Except as expressed in the agreement* the interests of partners shall be determined by the following rules, —

(a) All partners are entitled to share equally in the capital and profits of the business and must contribute equally towards losses whether of capital or otherwise.

(b) The firm must indemnify every partner for payments made or liability incurred.

i. In the ordinary conduct of the business,

ii. In anything done for the preservation of the business or property of the firm.

(c) A partner is entitled to 5% on advances or loans to the firm.

(d) A partner is not entitled before the ascertainment of profits to interest on capital subscribed by him.

(e) No partner is entitled to remuneration for acting in the partnership business.

8. Profits are defined as "The increase in the surplus of assets over liabilities." Revenue and capital profits are not distinguished.

As already pointed out a partner's standing with the firm may be modified in two ways: a. By additions and/or withdrawals, b. By losses or gains. These appear regularly on the books in three stages of work.

FIRST STAGE	Connective	SECOND STAGE	Connective	THIRD STAGE
<i>At beginning of Period</i>		<i>At Trial Balance Time</i>		
<i>Assets-Lia. at beginning</i>	<i>Addition drawing</i>	<i>Net Credit-Balance in Capital Account</i>	<i>+ Gains Losses</i>	<i>After closing the books</i>

Since Loans to the firm are preferred to capital in winding up they should be in a separate account.

Provision for winding up should be made in the agreement. In case no such provision has been made, a valuation and division of the assets may be made and agreed to by the partners or the assets may be converted into cash, the liabilities paid and the remaining capital paid out to the partners according to the amounts then standing to their credit in their capital accounts. Any loss or gain on realization would of course be shared in the proportion in which the partners share losses and gains.

For methods of sharing profits, and entry thereof through partners' accounts see page 12.

In case the loss should be such as to produce a deficiency in a partner's account a different situation would arise. This may be illustrated.

A, B, and C are partners sharing gains and losses, A $\frac{1}{3}$, B $\frac{2}{3}$, C $\frac{1}{3}$. Their standing is: Assets, Land and Buildings \$3000, Accounts Receivable \$5000, Goods-in-Stock \$13750, Cash in the Bank \$650. Liabilities.—Accounts Payable \$12000, Unpaid rent, wages, etc. \$1000, B, Loan account \$3000, A, Capital \$1900, B, Capital \$2400, C, Capital \$2100.

They decide to go out of business. The Goods-in-Stock, Accounts, and Premises realize \$14500. Realization expenses are \$500.

Prepare statement showing realization of assets and division of losses. Also show the cash account and the Partners' accounts as finally closed.

REALIZATION AND LIQUIDATION ACCOUNT

ASSETS TO BE REALIZED		LIABILITIES TO BE LIQUIDATED	
<i>Land and Buildings</i>	<i>\$3000</i>	<i>Accounts Payable</i>	<i>\$12000</i>
<i>Accounts Receivable</i>	<i>5000</i>	<i>Rent and Wages</i>	<i>1000</i>
<i>Goods</i>	<i>13750</i>	<i>B, Loan Account</i>	<i>3000</i>
LIABILITIES LIQUIDATED		ASSETS REALIZED	
<i>Accounts Payable</i>	<i>12000</i>	<i>Stock, Accounts etc.</i>	<i>\$14500</i>
<i>Rent and Wages</i>	<i>1000</i>	<i>*Loss on Realization</i>	<i>500</i>
LIABILITIES NOT LIQUIDATED			
<i>B, Loan</i>	<i>3000</i>		
<i>Expenses of Realization</i>	<i>500</i>		
	<i>38250</i>		<i>38250</i>
<i>Loss on Realization</i>	<i>7750</i>	<i>A $\frac{1}{3}$ Loss</i>	<i>1834</i> <i>75</i>
	<i>7750</i>	<i>B $\frac{2}{3}$ "</i>	<i>1937</i> <i>50</i>
		<i>C $\frac{1}{3}$ "</i>	<i>968</i> <i>75</i>
			<i>7750</i>

A. CAPITAL ACCOUNT

<i>Dec.</i>	<i>31</i>	<i>$\frac{1}{3}$ Loss</i>	<i>4843</i> <i>75</i>	<i>Dec.</i>	<i>31</i>	<i>Capital</i>	<i>\$1900</i>
			<i>4843</i> <i>75</i>				<i>4843</i> <i>75</i>
<i>Dec.</i>	<i>31</i>	<i>Net Deficiency</i>	<i>2943</i> <i>75</i>	<i>Dec.</i>	<i>31</i>	<i>Net Deficiency</i>	<i>1843</i> <i>75</i>
			<i>2943</i> <i>75</i>				<i>1843</i> <i>75</i>

B. CAPITAL ACCOUNT

<i>Dec.</i>	<i>31</i>	<i>$\frac{1}{3}$ Loss</i>	<i>1937</i> <i>50</i>	<i>Dec.</i>	<i>31</i>	<i>Capital</i>	<i>\$2400</i>
		<i>Net Capital</i>	<i>462</i> <i>50</i>				<i>462</i> <i>50</i>
			<i>462</i> <i>50</i>				<i>462</i> <i>50</i>
<i>Dec.</i>	<i>31</i>	<i>Cash to Close</i>	<i>462</i> <i>50</i>	<i>Dec.</i>	<i>31</i>	<i>Net Capital</i>	<i>462</i> <i>50</i>
			<i>462</i> <i>50</i>				<i>462</i> <i>50</i>

C. CAPITAL ACCOUNT

19— Dec. * “		31	$\frac{1}{2}$ <i>Loss</i> <i>Net Capital</i>	968	75	1131	25	19— Dec. 31	31	<i>Capital</i>	—	—	2100	
						2100							2100	
<i>Dec.</i>		31	<i>Cash to Close</i>	1131	25	1131	25	<i>Dec.</i>	31	<i>Net Capital</i>	—	—	1131	25

B. LOAN ACCOUNT

19— Dec.	31	Cash in full	-	-	-	3000	-	19— Dec.	31	Loan	-	-	-	3000	-
						3000	-							3000	-

CASH

19—						19—					
Dec.	31	<i>On hand</i>			650	Dec.	31	<i>Rent, Wages</i>			1000
"	31	<i>Realization of Assets</i>			14500	"	31	<i>Creditors</i>			12000
						"	31	<i>Expenses</i>			500
						"	31	<i>Balance down</i>			1650
					15150						15150
Dec.	31	<i>Balance down</i>			1650	Dec.	31	<i>B Loan Account</i>			3000
"	31	<i>Cash A's Acct.</i>			2943	"	31	<i>B Capital</i>	"		462
					75	"	31	<i>C</i>	"		50
											1131
											25
					4593						4593
					75						75

Note that when the loss is distributed, A's capital account shows a deficiency of \$2943.75 and he is required to pay this amount into the business. When this is done there is just enough cash to pay off B's loan and the capital still due to B and C.

If, however, A should be bankrupt in his private affairs and could not bring in any cash, the balance of his account would be a loss to the business of \$2943.75, to be shared—since it is a capital loss—in the proportion the capitals of the remaining partners at the time of liquidation bear to each other. That is, B and C must bear this loss in the proportion 24:21 or $\frac{8}{7}$, $\frac{2}{7}$.

This would be charged to their accounts and they would then be called upon to bring in cash to meet their deficiency. The cash thus brought in would complete the payment of B's Loan.

A. CAPITAL ACCOUNT

B. CAPITAL ACCOUNT

19—				19—				
Dec.	31	$\frac{2}{3} A$'s Deficiency	.	Dec.	31	Capital	.	
				..	31	Cash	.	

C. CAPITAL ACCOUNT

19—				19—				
Dec.	31	$\frac{2}{3} A$'s Deficiency	.	Dec.	31	Capital	.	
..	31			..	31	Cash	.	

B. LOAN ACCOUNT

19—				19—				
Dec.	31	Cash	.	Dec.	31	Balance Loan	.	
				..	31		.	

CASH ACCOUNT

19—				19—				
Dec.	31	B 's Capital Deficiency	.	Dec.	31	B 's Loan	.	
Dec.	31	C 's	.	..	31		.	

EXERCISE ON PARTNERSHIP SETTLEMENTS

1. C. Carter and B. Walker are partners. By agreement, each is to receive a salary of \$100 a month, the remaining gain or loss to be shared according to investment. Carter invests \$12000, Walker \$8000. The gain for the year, before partners' salaries have been paid, is \$4500.

Show their capital accounts properly closed.

2. E. Wheeler and A. Bain are partners. Each is to receive 5% per annum interest on capital and a salary of \$75 a month. The remaining gain or loss to be divided, Wheeler $\frac{1}{3}$, Bain $\frac{2}{3}$. Wheeler invests \$8000, Bain \$12500. The total gain for the year is \$5600.

Show their capital accounts properly closed.

3. B. Fawcett and A. Thompson are partners under agreement to share gains and losses, according to average investment. Fawcett invested, Jan. 1, \$1770; Feb. 10, \$650; May 22, \$500; and withdrew, June 5, \$350; Aug. 13, \$400. Thompson invested, Jan. 1, \$2300; April 6, \$1100; and withdrew, Sept. 7, \$900. The gain for the year was \$775.

Show their capital accounts properly closed.

4. Rogers & Chandler began business a year ago, under agreement that each should receive a salary of \$50 a month, and share remaining gains and losses, Rogers $\frac{2}{3}$, Chandler $\frac{1}{3}$. Their present assets are \$9920, liabilities \$8320. Rogers invested \$4260 and withdrew \$5720; Chandler invested \$3500 and withdrew \$2990. Required, the capital accounts properly closed.

5. Britton & Oliver close business as follows: Cash on hand, \$375; on deposit, \$2960; notes on hand, \$1160; sundry debtors, \$560; goods on hand, \$2120; Furniture \$560 (less 10% for depreciation). They owe notes payable \$220, and on open accounts \$160. At beginning, Britton had assets \$4500 and liabilities \$425. He withdrew \$220, and is allowed interest on his investment \$275. Oliver began with assets \$4000 and liabilities \$1150. He added to his investment \$650, and is allowed interest \$180. They share gains and losses equally.

Make out a statement of assets and liabilities, and show the capital accounts properly closed.

6. Gordon, Hay & Keith close a year's business as follows: Cash on hand, \$300; on deposit, \$7260; notes on hand, \$920 (allow 10% for possible loss); personal accounts receivable, \$2270 (allow 10% for bad debts); goods on hand, \$13750; office furniture, \$1270 (allow 5% for depreciation). They owe on notes outstanding \$960, and to sundry creditors \$1170. Gordon invested \$4000 and withdrew \$700. He is allowed interest \$195, and a salary of \$100 a month. Hay invested \$4000 and withdrew \$500. He is allowed interest \$200, and a salary of \$100 a month. Keith invested \$8000, and added during the year \$2000 more. He is allowed interest \$500. The remaining gains and losses are to be shared, Gordon $\frac{1}{3}$, Hay $\frac{1}{3}$, Keith $\frac{1}{2}$.

Make out the statement of assets and liabilities and the capital accounts.

7. Noxon & Massey have just completed a year's business as partners. Their present assets are \$10900, liabilities \$4650. The gains have been \$4112, losses \$1274. Noxon has withdrawn \$350, and is allowed for extra services \$450. Massey has added to his investment \$560. They were equal in investment at beginning, and they share gains and losses, Noxon $\frac{5}{12}$, Massey $\frac{7}{12}$.

Make out the capital accounts and show them properly closed.

8. *A, B and C* are partners. They have cash on hand, \$460; in the bank, \$3270; Real Estate which cost \$4370, and which has appreciated 10% in value; Mulse. on hand, \$7260; Others' notes on hand, \$1460; Accounts Receivable, \$2790 (allow 10% on notes receivable and accounts receivable for possible bad debts); notes outstanding, \$1460; Accounts Payable, \$3260; Rent Payable, due, \$450; interest accrued on Bills Receivable, \$45; on Bills Payable, \$37. *A* has withdrawn \$500, *B* \$670, and *C* has increased his investment by \$750. The gains have been \$4360, and losses \$9520. They were equal in standing at beginning, and share gains and losses, *A* $\frac{1}{4}$, *B* $\frac{1}{3}$, *C* $\frac{5}{12}$.

Make out the statement of assets and liabilities, and the capital accounts.

9. *A, B and C* close a year's partnership with the following standing: Assets, \$7600; liabilities, \$10600. They have gained \$4270, and lost \$7360. *A* has withdrawn \$550, *B*, \$720, and *C* has increased his investment by \$1200. Each was to receive a salary of \$50 a month, and *C* was to receive, in addition, \$200 interest. They share net gains and losses equally, and were equal at beginning.

Required, the capital accounts closed.

10. L. Mason and R. Simpson had been equal partners. At Dec. 31, their balance sheet showed: Cash \$10.75, Accounts Receivable \$107.25, Stock \$342.75, Furniture \$76, Machinery \$200, Accounts Payable \$765.75, R. Simpson, Capital Account Deficiency \$67.50, L. Mason, Capital Account Credit \$38.50.

The Assets realize, Cash, in full, Accounts Receivable \$82.50, Stock \$250, Furniture \$25, Machinery \$100.

Both are bankrupt in their private affairs. What composition can they make with their creditors?

Had both been able to bring in more cash, how would the affairs wind up?

Had Mason only been able to bring in more cash, how would the affairs wind up?

BRANCH STORE ACCOUNTS

Branch Store accounts, in their simplest form, are very similar to Department accounts. The system to be adopted in any case would depend on the special circumstances of the business, in particular the location and size of the branch, together with the authority given the branch manager.

In any case such arrangements should be made as would provide an effective check on stock and cash handled, and as would give the Head Office management a definite knowledge of the condition and progress of the branch.

(a) The books may be kept at the Head Office.

- i. Sales invoices and credits would be made out in triplicate, one copy for the customer, one for the branch, one for the Head Office. The Head Office copies would be totalled monthly and posted by items to customers' accounts and by totals to "Mdse. Sales Branch A." account.
- ii. Collections would be made by the Head Office, or if more convenient, might be made by the branch and reported in detail to the Head Office. Cash received for cash sales, or on account, would be deposited in a local bank to the credit of the Head Office and a duplicate deposit slip forwarded.
- iii. Invoices, whether for Mdse. or Expense, would be O.K'd by the branch manager and sent on to the Head Office for payment. They would be charged to "Mdse. Purchases Branch A." or "Expense Branch A."
- iv. Goods supplied to the branch from Head Office Stock would be entered "Mdse. Purchases Branch A." Dr., /Mdse. Purchases Account Cr.

The whole record of the branch transactions would thus be entered through the Head Office books. The work might be simplified by providing special columns for branch transactions in the various books of original entry.

If further details were required for purposes of the statement they should be obtained by analysis sheets. On the other hand, if the business were very small the whole record might be kept in one "Branch A." account.

If it were necessary to pay small items of expense at the branch a petty cash account should be kept on the imprest system. See page 97.

At closing an inventory of stock at the branch would be taken and this should be checked by the data on the Head Office books. Other inventories would be taken into consideration in the usual way. Insurance, Rent, Depreciation, would all be included in the Branch Expenses.

From data entered as above outlined, a Trading Account and Profit and Loss Account for the branch could be prepared and it could then be incorporated in a general statement for the whole business.

(b) The books may be kept at the branch.

In this case the branch would be in a position of a separate business, but as it would have no independent capital it could have no capital account, but instead would have an account showing its relation to the Head Office. In like manner the Head Office books would contain an account showing the standing of the branch. For the purpose of these accounts entries would have to be made.

i. When the branch was opened:

Head Office Books.—Branch A., Dr.	15000
To Cash	5000
Mdse.	10000
Branch Books.—Cash	Dr. 5000
Mdse.	Dr. 10000
To Head Office	15000

ii. When goods were supplied by the Head Office :

Head Office Books.—Branch A. Dr.,/Mdse. Purchases Cr.

Branch Books.—Mdse. Purchases Dr.,/Head Office Cr.

iii. When remittances are made to Head Office :

Head Office Books.—Cash Dr.,/Branch A. Cr.

Branch Books.—Head Office Dr.,/Cash Cr.

iv. At the time of closing inventories would be obtained in the usual way and a statement for the branch prepared. The net profit would be entered in the Head Office account on the credit side and the balance brought down as the present standing of the branch.

A similar entry would be made in the Branch account in the Head Office books.

v. The branch statement should then be incorporated in a general statement with that of the Head Office.

NOTE.—The Branch account is in effect a Loss and Gain account charged with all cost, credited with all returns and closed to Loss and Gain. The inventory would, however, include all assets and liabilities at the branch at the time of closing.

(c) Such combination of the two methods described may be made as would serve in any particular case. It would frequently be convenient to keep the Sales Ledger at the branch and report details to the Head Office.

Branch accounts should be checked carefully to see that *e.g.* the stock reported is what by the data reported it ought to be. That the cash reported corresponds with the data also with the accounts on the books. An analysis of the data and the two methods of finding Profit and Loss, and Present Worth are important in this connection.

Illustration : Company A. has a branch which it supplies with goods from the wholesale but which receives cash against ledger accounts and pays in the whole of the cash each day to the Head Office. All wages and branch expenses are paid by cheque from the Head Office on the imprest system.

From the following summary for the year supplied by the branch prepare the operating statement for the branch, the Head Office account in the Branch books and the Branch account in the Head Office books.

Sales, \$13500; returns from Customers, \$100; allowances to Customers, \$25; Cash received on Ledger accounts, \$11900; Cash Sales, \$7100; Stock Jan. 1, \$2700; Stock Dec. 31, \$3100; Bad Debts, \$75; Accounts Receivable Jan. 1, \$6250; Accounts Receivable Dec. 31, \$7650; Goods supplied from Wholesale, \$10600. Rent and Taxes paid, \$400; Wages and Sundry Expenses, \$1900.

Branch Trading Account		Branch Profit and Loss Account	
Credit Sales.....	13500	Gross Profits	10275
Less Returns and Allowances	125	Expenses	
	13375	Bad Debts	75
Cash Sales.....	7100	Rent and Taxes.....	400
	7100	Wages and General.....	1900
Total Sales.....	20475		2375
Cost		Net Operating Profit.....	7900
Supplied from Warehouse.....	10600		
Stock, Jan. 1	2700		
	13300		
Stock Dec. 31	3100	10200	
Gross Profits.....		10275	

HEAD OFFICE BOOKS

BRANCH A. ACCOUNT

19—				19—			
Jan.	1	<i>Balance</i>		Dec.	31	<i>Cash Sales</i>	
		<i>Stock</i>	2700	"	31	<i>Cash on Account</i>	7100
		<i>Accounts Receivable</i>	6750	"	31	<i>Balance</i>	11900
Dec.	31	<i>Goods</i>				<i>Stock</i>	3100
		<i>Rent and Taxes</i>	10600			<i>Accounts Receivable</i>	7650
		<i>Wages and General</i>	400				10750
		<i>Net Profit</i>	1900				
			7900				
			29750				29750
19—							
Jan.	1	<i>Balance</i>					
		<i>Stock</i>	3100				
		<i>Accounts Receivable</i>	7650				
			10750				

BRANCH BOOKS

HEAD OFFICE ACCOUNT

19—				19—			
Dec.	31	<i>Cash (C. Sales)</i>		Jan.	1	<i>Investment</i>	
		<i>Cash (on Account)</i>	7100			<i>Stock</i>	2700
"	31	<i>Balance</i>	11900			<i>Accounts</i>	6750
		<i>Stock</i>	3100				8950
		<i>Account Receivable</i>	7650	Dec.	31	<i>Goods Supplied</i>	
			10750			<i>Expenses, Rent, etc.</i>	10600
				"	31	<i>General</i>	400
						<i>Net Profit</i>	1900
							7900
							29750
			29750				
				19—			
				Jan.	1	<i>Balance down</i>	
						<i>Stock</i>	3100
						<i>Accounts Receivable</i>	7650
							10750

EXERCISE ON BRANCH STORE ACCOUNTS

1. Company H has a branch which it supplies with goods from the Head Office. The cash received at the branch is paid in daily. From the following data prepare the operating statement for the year, also the Branch Account in the Head Office books and the Head Office Account in the Branch books.

Goods supplied to the branch, \$8280; returns of goods supplied, \$140; Stock at branch Jan. 1, \$1380. Stock at branch Dec. 31, \$1480; Cash Sales, \$6800; Cash received on account, \$5600; Accts. Receivable, Jan. 1, \$1150; Bad Debts, \$120; Accts. Receivable, Dec. 31, \$1058; Rent and Taxes, \$320; Wages and General Expenses, \$680.

2. A wholesale firm has three retail branches which are supplied with goods from the wholesale, but they keep their own Sales Ledgers and receive cash on these accounts and pay in the whole of their cash daily to the Head Office. All wages and branch expenses are drawn by cheque from the Head Office on the imprest system.

From the following particulars supplied by the branches show the Branch accounts in the Head Office books and then combine the whole into one general trial balance and Profit and Loss account.

BOOKKEEPING

	A	B	C
Credit Sales for the year.....	27000	26000	23000
Returns from Sales.....	200	240	160
Allowance to customers.....	50	40	60
Cash received on account.....	23800	24000	20000
Cash Sales.....	14200	12500	13000
Stock, Jan. 1,.....	5400	4800	5000
Stock, Dec. 31,.....	6200	5800	4800
Accounts Receivable, Jan. 1,.....	12500	12000	11000
Dec. 31,.....	15300	13620	13780
Bad Debts.....	150	100	...
Goods supplied from Wholesale.....	21200	20600	20000
Rent, Taxes, and Insurance paid.....	800	700	750
Wages and General Expenses.....	3800	3560	3500

3. Manning & Co. operate a Queen St. Branch which they supply with goods upon order. Sales are made for cash and on credit. From the following data prepare the Branch account at Head Office: Goods supplied to branch, \$12700; Goods returned to H. O., \$200; Stock at branch, Jan. 1, \$3750; Cash sales, \$8375; Credit sales, \$14975; Rebates to customers, \$220; Disc. to customers, \$600; Bad debts, \$145; Rent, \$300; Insurance, \$24; Taxes, \$126; Wages, \$1485; Accts. Receivable, Jan. 1, \$6550; Goods at branch Dec. 31, \$3475; Expenses paid, \$375; Cash received on account, \$12295; Accts. Receivable, Dec. 31, \$8265.

4. Hart & Davis have opened a branch store, and placed E. Ford in charge. He has a stock of goods, \$2760, and cash, \$175. The accounts are kept at the head office and in the same books as the main business. The store is rented at \$30 a month, and Ford is paid 8% commission on sales. At the end of the year the books show purchases for the branch, \$7760, less discounts, \$160; Freight, \$330; Cash Sales, \$3370; Credit Sales, \$5720; Insurance paid, \$30; Rent paid for 11 months; Commission paid to Ford, \$650. There is a stock of goods now on hand, \$3500, and accounts receivable \$325.

Make out the "Branch Store" account in the General Ledger.

5. Warnock & Co. open a branch store, and place J. Fowler in charge. He is given a stock of goods valued at \$3770, and cash, \$75. The store is rented at \$50 a month, and Fowler is to receive \$75 a month. The books are kept at the branch. During the year there is purchased for the branch goods worth \$4560. Fowler has reported cash sales, \$2740, and credit sales, \$1980. At the end of the year there are goods on hand, \$5200, and Fowler's books show Accts. Pay., \$1770, and there are notes payable, \$360. The rent and salary for the year have been paid, and \$400 has been remitted to Warnock & Co. Fowler's cash book shows a balance of \$455, and there is this amount of cash in the till. Find the gain for the year. Is Fowler's cash balance correct?

6. Sylvester & Co. have a branch store in charge of E. Seymour. At the beginning of the year the branch is charged in the books of the firm with \$6200, made up of goods, \$4700; notes, \$220; accounts receivable, \$1200; and cash, \$240; with bills payable outstanding, \$160. The books are kept at the branch. The rent is \$60 a month, and Seymour's salary is \$90 a month. Nine months later a fire occurs and the stock is completely destroyed. The books and papers are all saved but the bill book. Upon examination the books reveal the following: Goods bought, \$7300; goods sold, \$8500; cash on hand, \$1700; accounts receivable, \$2500; accounts payable, \$2400; expenses paid, \$175; horse and delivery wagon cost \$195 (now worth \$180); insurance paid, \$50. Eight months' rent and salary have been paid. The bank balance is \$720. There are notes receivable on file, \$600, and this is thought to be correct. If the insurance company pays over the amount of the insurance, \$4500, what will then be the gain or loss on the branch? What is the amount of outstanding notes?

COMMISSION SALES ACCOUNT

A firm sometimes sells goods for a manufacturer or producer, though it does not wish to purchase and carry a stock of such goods. The sales are then usually made on commission. Orders are taken in the usual way and filled from a stock supplied by the manufacturer, or they are forwarded to the manufacturer, who ships direct to the purchaser.

As the goods are not bought, but only sold for account of the manufacturer, the account kept is really a personal account. It is credited with all sales made on commission, and charged with rebates and returns from sales, commission on actual sales, and all remittances on account. When the commission has been charged in full, the balance of the account, if any, is a liability.

[ILLUSTRATION]

THE WESTERN MILLING CO. FLOUR ACCOUNT

Jan.	15	Cash	C	400	Jan.	31	8	990
"	18	Returns	J	50				
"	31	Com. 5%	J	47				
* "	31	Balance		493				
					Feb.	1	Balance	493

ANALYSIS SHEET FOR DEPARTMENT PURCHASES

DEPARTMENT PURCHASES, FREIGHT PAID, FOR March, 19—

Invoice No.	Tears-and-Coffees	Canned Goods	Dried Fruits	Biscuits	Sugar	Sundries	Total
1		727	57				746 15
2	577	68					768 68
3			168	45			178 65
4					729	34	729 34
5				350	95		350 95
6	537	64					553 39
7						188 60	188 60
Rebates	1322	67	746	15	178	65	3515 76
	44	55					44 25
Net Pur.	1577	82	716	15	178	65	3471 51

* Freight entered in Red Ink. Use a similar sheet for Dept. Sales and Profits. Or rule Ledger Accounts thus,

Date	Remarks	Dept. A	Dept. B	Total	Date	Remarks	Dept. A	Dept. B	Total

For exercise see page 98.

*Another form of
Cash Book.*

CASH

Dr.

Date 19—	L. F.	Accounts Cr.	Remarks.	Disc. off Sales Dr.	Accts. Rec'e Cr.	Bills Rec'e Cr.	Int. Cr.	Sund. Gen. Led. Cr.	Int. & Exch. Dr.	Bank Dr.
May 1		D. M. Walker	On Deposit					4000		
" 3		D. Johnston	On Account	12	388					4000
" 4			No. 1, Smith		550		360			
" 6			Deposit			220			118	940
" 6			No. 2, Wilson						60	42
" 8		Discount off Sales	D. Johnston's Account					12		
" 11		R. Mason, (Acct. Pay'te.)	Over Paid					20		
" 11		Bank Loan	My Note Discounted					2000	45	1955
" 13		D. Johnston	On Account		400					
" 15		C. M. Wilson	Compromised his Account		177.20					
" 15			Deposit						100	596.20
" 15		Accounts Receivable			965.20					
" 15		Bills Receivable			770		360	6032	47.78	7723.02
" 15		Interest and Discount						965.20		
								770		
								360		
May 15			On Deposit					7770.80	47.78	7723.02
								5427.47		
									5427.47	

PETTY CASH

Date	Explanation	Dr.	Cr.	Postage	Exch.	Delivery	Sundries
May 1	Cheque Gen. Cashier	100	00				
" 4	Sundry Expenses		3 50				3 50
" 6	Exchange		1 53		1 53		
" 8	Cartage		4 20			4 20	
" 9	Stationery		5 00				5 00
" 10	Delivery Messenger		9 20			9 20	
" 12	Exchange		2 62		2 62		
" 13	Stamps		6 40	6 40			
		100		32 45	6 40	4 15	13 40
" 13	Balance			67 55			8 50
		100		100 00			
May 15	Balance	67	55				
" 15	Cheque Gen. Cashier	32	45				

BANK RECONCILIATION

The cash balance, if any, shown in the cash book should correspond with the actual cash on hand.

The bank balance shown in the cash book will not correspond with the balance shown in the Bank pass book unless all cheques have been presented for payment.

The following reconciling statement should be made:

CASH

Cr

Date 192—	L. F.	Accounts Dr.	Remarks	Disc. off Purch. Cr.	Accts. Payble Dr.	Bills Payble Dr.	Int. Dr.	Gen. Expen. Dr.	Sund. Gen. Led. Dr.	Accts. No.	Int. Cr.	Bank Cr.
May 1		Petty Cash	Chk Petty Cashier						100	1		100
" 5			No. 1 Robson			300	300			1		463.30
" 7		R. Mason	Full of Acct.		120					2		120
" 7		Duty	Invoice No. 1					65		3		65
" 7		Freight	Invoice No. 1					35		4		35
" 8			No. 2 Harrison			375				5		371.80
" 8		D. Johnston, (Acct. Rec.)	Dishonoured Chk					400		6		400
" 10		S. Dickson	On Account	150	400.50					7		436.50
" 12		C. M. Wilson, (Acct. Rec.)	Dishonoured Note					221.50				221.50
" 13			Rent, May, 19—				50			8		50
" 15			Petty Expenses				32.45			9		32.45
					556.50	835	3.90	82.45	821.50		3.20	2295.55
		Accounts Payable							556.50			
		Bills Payable							835.90			
		Interest and Discount							3.30			
		General Expense							82.45			
		Balance	On Deposit						542.15			542.15
					12.50						3.20	7723.02

When all cash received is deposited daily and all payments are made by cheque it is not necessary to provide a cash column in the cash book. Items of cash received may be distributed to their proper columns when the entries are made, and carried over to the bank column when the deposit is made. In the cash book above a grouping of Debit and Credit columns is suggested. On each side of the book the columns are in three groups. On the debit side: (a) Columns not representing actual cash. (b) Columns containing entries of actual cash received. (c) The disposal of cash received—whether paid for interest or exchange or paid into the bank for deposit. The second and third groups should balance, thus giving a proof of the work.

In posting to the Sales Ledger, since the net amount only is entered in the Accounts Receivable column, the discount and net amount would both have to be posted to the Personal account, and in posting to the General Ledger the totals of the Discount column and Accounts Receivable column would have to be posted to the Accounts Receivable account, and the total of the discount column would also have to be posted to the Discount off Sales account.

Similar proof and posting would apply to the credit side of the book.

When there are cheques to be charged back a column for Discounts off Purchases and for Discounts off Sales should appear on each side of the book, or only one cash discount account should be kept. In this way the anomaly appearing in the entry for Johnston's dishonoured cheque in the above cash book would be avoided.

The method of dealing with Petty Cash shown on the opposite page is known as the "Imprest System." An initial cheque, for an amount sufficient to cover the expenses for a given period, is drawn by the General Cashier and handed to the one in charge of Petty Cash. At the end of the period the book and vouchers are submitted to a superior in the office who examines them and counts the cash, and if all is satisfactory he attests the correctness with his signature.

The entries to be made are:

1. When the initial cheque is drawn it is entered through the general cash book. Petty Cash Dr.,/Bank Cr.

This entry is posted to a "Petty Cash" account in the General Ledger and remains an asset item on the books from year to year.

2. When the book is handed in and a new cheque given for the expenses to date, the entry is made through the general cash book either: (a) As in the illustration charging General Expense and obtaining details for the analysis sheet from the Petty Cash book, or (b) Charging each of the accounts directly through the general cash book. Postage, Exchange, Delivery, and General Expense being made debit.

EXERCISES—ANALYSIS SHEETS

1. From the following data prepare Trading Accounts, Profit and Loss Account, Summary of Capital Accounts and Balance Sheet.

Cash	250
Bank	3220
Accts. Rec.	5246
Bills Rec.	3820
Accts. Pay.	2742
Bills Pay.	1860
R. D. James, Cap.	10000
R. D. James, Priv.	200
C. O. Henry, Cap.	8000
C. O. Henry, Priv.	175
Disc. off Pur.	188
Disc. off Sales	244
Dept. A. Pur.	9500
Dept. A. Sales	12600
Dept. A. Inv.	9000
Dept. B. Pur.	3200
Dept. B. Sales	4200
Dept. B. Inv.	3300
Office Furn.	450
Int. and Disc.	22
Gen. Exp.	873
	—
	39600
	39600

EXPENSE ANALYSIS	
Delivery	75
Advertising	60
Trav. Exp.	90
Salesmen's Salaries	160
Cartage-out	25
Rent	100
Light and Fuel	45
Insurance	90
Repairs	30
Office Expense	65
Office Salaries	120
Postage	10
Exchange	3
	873

INVENTORIES

Mdse. Dept. A., \$8800; Mdse. Dept. B., \$3400; Office Furn., \$400; Ins. paid in advance, \$80; Salaries accrued, Office, \$20, Salesmen, \$25. Allow 2% on Accts. Rec. and Bills Rec. for Bad Debts.

The Partners are to be allowed interest at 6 1/2% per annum on Capital invested, the same to be adjusted through the Private Accounts. They share gains and losses equally.

2. Following is the Trial Balance from the books of George Mills & Co. at Dec. 31, 1923:

<i>Cash</i>	452.92	<i>Mdse. Sales</i>	5378.32
<i>Bills Receivable</i>	1830.42	<i>Mdse. Inventory</i>	7715.44
<i>Accounts Receivable</i>	1909.74	<i>Rebates off Purchases</i>	89.00
<i>Accounts Payable</i>	575.58	<i>Rebates off Sales</i>	36.80
<i>Bills Payable</i>	1977.55	<i>Cash Discount</i>	22.13
<i>Goodwill</i>	1000.00	<i>General Expense</i>	1157.40
<i>George Mills, Capital</i>	5750.00	<i>Reserve B. Debts</i>	61.67
<i>George Mills, Private</i>	12.98	<i>Bad Debts</i>	114.94
<i>James Mills, Capital</i>	12.98		55.26
<i>James Mills, Private</i>	48.91		18524.35
<i>Freight-in</i>	23.50		18524.35
<i>Mdse. Purchases</i>	4258.85		

Inventories of Mdse.:

	<i>Dept. A.</i>	<i>Dept. B.</i>	<i>Dept. C.</i>	<i>Dept. D.</i>	<i>Dept. E.</i>	<i>Total</i>
<i>Dec. 1,</i>	5599.10	1566.90	836.30	1035.80	1677.34	7715.44
<i>Dec. 31,</i>	5443.10	788.50	900.30	1050.60	2226.20	7258.70
<i>Rebates off Purchases</i> :	18.00	....	....	....	71.00 =	89.00
<i>Rebates off Sales</i> :		5.00		8.00	23.80 =	36.80
<i>Freight-in</i> :	11.35	12.15	....	....	.... =	23.50
<i>Dept. Sales</i> :	1583.62	1012.60	775.46	467.14	1539.50	5378.32
<i>Dept. Purchases</i> :	989.06	65.10	679.97	462.80	2061.92	4258.85

Cash Discounts are to be entered through Profit and Loss Acct.

ANALYSIS OF EXPENSE

CREDIT: Inventories Dec. 1st : Travelling Expenses due \$20; Salesmen's Salaries due \$25; Office Salaries due \$16.67 = Total \$61.67.

DEBIT: Inventories: Coal \$33.75; Insurance paid in advance \$56.25; Office Furniture \$427.50; Expenses paid Advertising \$72.25; Travelling Expenses \$115.55; Salesmen's Salaries \$150; Light and Fuel \$6.50; Repairs \$13.20; Office Salaries \$100; Office Expense \$21.70; Collection and Exchange \$6.10; Cartage \$4.60; Rent \$150.00. = Totals \$1157.40.

OTHER INVENTORIES: Allow 5% depreciation on Office Furniture; allow 2 % on Accounts Receivable for further bad debts; Insurance paid in advance \$50.00. Allow the partners interest at 5% on Capital and divide remaining gain or loss equally.

- (a) Prepare the Financial Statement at Dec. 31st.
- (b) Prepare necessary statements showing profits by departments.

EXERCISES ON THE CASH BOOK

1. Rule a Cash Book with columns similar to those on page 46-47 or on page 96-97 and enter the following transactions.

To keep Petty Cash on the Imprest System deposit all money in the bank then give the Petty Cashier a cheque for \$100. Pay all cash items out of Petty Cash and at the close give the Petty Cash a cheque for the amount of disbursements.

May 1, J. Stewart continues business with Cash on hand, \$220, and in the Bank of Montreal, \$4360.

2. Received cheques in full of the following accounts: J. Mason, \$320, less $3\frac{1}{2}\%$; F. Willard, \$165, less $2\frac{1}{2}\%$; R. Holmes, \$195, less $4\frac{1}{2}\%$; and in payment of the following notes: B. Brown's, \$77.50 and interest \$1.50; R. Davis's, \$125, less discount for unexpired time \$2.20.

Paid by cheque the following bills: R. Taylor's bill of Apr. 30, \$270, less 4%; P. Walker's bill of Apr. 26, \$467.50, less $4\frac{1}{2}\%$; D. Gardiner's bill of Apr. 29, \$277.50, less $2\frac{1}{2}\%$; also my note in favour of M. Crane, \$262.50, less discount for unexpired time, \$4.50.

Paid insurance by cheque, \$37.50. Paid for cartage in cash, \$14.60.

Deposited all cheques on hand (exchange $1\frac{1}{2}\%$, but not less than 10c. on any cheque) and all cash on hand but \$100.

3. Drew from the bank \$100, to be paid out in wages. Paid sundry petty expenses in cash, \$8.75. Withdrew for private use by cheque, \$200.

Paid for postage in cash, \$5.

Close the Cash Book and bring down the balances. Show proper checking.

4. Received cheques in full of the following accounts: R. Hart, \$177.60, less discount, \$2.60; H. Riddell, \$215.40, less disc., \$12.30; P. Walker, \$115.60; J. Taylor, \$77.50, less disc., \$1.20; also in payment of the following notes: S. Burrows, \$133.60, and interest, \$1.10; S. Ewing, \$177.60, and interest, \$2.15.

Paid by cheque the following bills: J. Coates's bill of Apr. 25, \$220, less $3\frac{1}{2}\%$; A. Bell's bill of Apr. 27, \$312, less $3\frac{1}{2}\%$.

6. Discounted notes on hand Nos. 1, 2, and 3, amounting to \$725, discount charged, \$5.60. Proceeds deposited. Paid for repairs in cash, \$15.60.

Deposited all cheques on hand, exchange 85c. Close the book. Post and take a Trial Balance.

2. Rule a Cash Book to meet the following requirements:—

General, Sales, and Purchase Ledgers are kept on the self-balancing system, cash discounts are allowed and received, the Bank account is kept in the Cash Book, all receipts are deposited daily, and all payments are made by cheque. The Expense account is not to be subdivided. For petty expenses a Petty Cash Book is kept on the Imprest System.

Record the transactions given below and balance the book as at the end of the week:—

July 2. D. A. Carson continues business with a balance of \$3929.20 in the Dominion Bank. Gave to Petty Cashier cheque for \$50. Paid the following bills: W. King, for rent of store for July, \$90; Ontario Stationers, for set of office books, \$125.

3. Received from T. Davis his cheque for \$388 in full of his account, less $3\frac{1}{2}\%$ discount. Cash Sales, \$165.

4. Issued cheques as follows: R. Burns, for bill of June 26, \$87.40, less $3\frac{1}{2}\%$ discount; H. Benson, in payment of my note, \$430, and interest thereon, \$3.75.

5. Discounted at the bank, a draft drawn on D. Ramsay, \$375; discount, \$3.60; exchange, 95 cents; proceeds deposited.

6. Received cheques as follows: J. Adams, for bill of June 28, \$225, less $3\frac{1}{2}\%$ discount; G. Ross, for his note due today, \$77.50, and interest thereon, \$2.50; C. Foster, prepaying his note, \$300, less \$3.50 discount.

7. Cash Sales, \$192.50.

Issued cheque to Petty Cashier for Petty Expenses, \$27.50, chargeable as follows: Postage, \$7.50; Cartage, \$12.00; General Expense, \$8.00.

SET V

WHOLESALE GROCERY BUSINESS

SPECIAL FEATURES.—Use of the Analysis sheet for the distribution of Purchases and Sales to Departments Branch Store. Use of Rebates Books, debit and credit Use of Petty Cash Book. See pages 91 to 100.

INSTRUCTIONS

(a) **BOOKS TO BE USED.**—Purchase Book, Sales Book, Rebates Debit Book, Rebates Credit Book, Cash Book, Bill Book, Journal, all as principal books; General, Purchase, Sales Ledgers.

(b) The business is divided into departments, as follows :

Canned Goods : Fish, Fruits, Vegetables.

Tea and Coffee : Teas, Coffees, Cocoa.

Dried Fruits : Evaporated Apples, Figs, Prunes, Raisins, Currants, Dates.

Sugars :

Biscuits :

Sundries : Soap, Matches.

(c) The terms of sale are uniform, and are as follows :

3 mos., 3% off in 15 da. : Teas and Coffees.

30 da., 1% off in 15 da. : Dried Fruits, Biscuits, Canned Goods.

Net Cash : Sugars, Sundries.

(d) **PURCHASES.** The Purchase Register will have only one column for totals. The Analysis Sheet will be used for distribution to departments. It should be written up at the middle and end of each month, the data being obtained from the Invoices and the Cash Book, the amounts of the invoices being entered in their proper column, and the freight being taken from the Cash Book and entered in red ink over the invoice to which it belongs. At the end of the month the sheet will be totalled, and then the rebates and returns, as shown by the rebates debit book, will be deducted, showing the net purchases in each department.

(e) **SALES.**—The items must be entered in the Sales Book, grouped according to terms,—3 mos. goods, then 30 da. goods, then n.e. goods. These must be posted to the customers' accounts as separate bills, the terms being entered in the explanation column of the account.

Use the Analysis Sheet for distribution to departments, obtaining the data from the Sales Book. Write up the Analysis Sheet at the middle and end of the month. At the end of the month total it, and deduct rebates and returns, as shown in the rebates credit book. This will give the net sales for the month.

(f) To find gain by departments : Add to the Inventory at beginning the net cost of goods purchased, and from this total deduct the inventory at closing. This will give the cost of the goods sold, by departments; and by deducting these amounts from the amount of the sales by departments, we obtain profits by departments. This data should be entered in a third analysis sheet, entitled Profits by Departments.

(g) To avoid making the work too involved, provision has not been made for distributing the Cash Discounts to departments. Instead, the Cash Discount is posted to one account from the Cash Book columns, and this account is then closed to the Loss and Gain account, as is done by some accountants.

(h) The Cash Book should have the columns as on page 96. Petty Cash should be kept on the imprest system. The Imprest \$50 is first issued on the 7th, and it is examined each half-month. Omit B.P. and Int. Cols. in Gen. C.B.

(i) Keep a Merchandise account in the Ledger in the three divisions : Mdse. Purchases, Mdse. Sales, Mdse. Inventory. Keep a Freight account, post to it by items from the Cash Book, and close it to Mdse. Purchases.

(j) As to exchange, charge no exchange on local cheques; on all others charge $\frac{1}{2}\%$, but in no case less than 10 cents. Put all exchange through Gen. C.B.

(k) Post to the Expense account in totals from the special column in the Cash Book. Close the account directly to Loss and Gain account, using the analysis sheet for the detailed information necessary for the financial statement.

DIRECTORY

<i>Archer, Joseph, Goderich.</i>	<i>Jackson & Son, Charles,</i> <i>St. Catharines.</i>
<i>Beattie, D. A., Galt.</i>	<i>Keith, M. E., Ayr.</i>
<i>Blackwell, H. E., Gravenhurst.</i>	<i>Leonard, F. & B., Toronto.</i>
<i>Boynton, H. R., Hull, Que.</i>	<i>McArthur, J., Toronto.</i>
<i>California Fruit Co., San Fran-</i> <i>cisco, Cal.</i>	<i>Merchant, B. C., Toronto.</i>
<i>Canada Soap Works, Toronto.</i>	<i>Newell & Reid, London.</i>
<i>Coates, A. C., Collingwood.</i>	<i>Ontario Biscuit Co., Toronto.</i>
<i>Dunlop, C. R., Lindsay.</i>	<i>Osborne, F. J., Linwood.</i>
<i>East India Tea Co., New West-</i> <i>minster, B.C.</i>	<i>Standard Refining Co., Montreal.</i>
<i>Evans & Co., R. A., Owen Sound.</i>	<i>Welland & Welland, Picton.</i>
<i>Freeman, A. W., Alexandria.</i>	<i>Western Milling Co., Winnipeg.</i>
<i>Gorman, E. R., St. Marys.</i>	<i>Vancouver Canning Co., Van-</i> <i>couver, B.C.</i>
<i>Harrison, H. R., Listowel.</i>	<i>All others, Toronto.</i>

LEDGER LINES

PURCHASE LEDGER. Two pages, 4 accounts to the page.

SALES LEDGER. Four pages, 4 accounts to the page.

GENERAL LEDGER.—Accounts Receivable, $\frac{2}{3}$ page; Bills Receivable, $\frac{2}{3}$ page; Goodwill, $\frac{1}{3}$ page; Accounts Payable, $\frac{2}{3}$ page; Bills Payable, $\frac{2}{3}$ page; J. H. McFarlane, $\frac{1}{3}$ page; P. Hamilton (Cap. Acct.), P. Hamilton Priv. Acct.), J. Boulton (Cap. Acct.), J. Boulton (Pri. Acct.), each $\frac{1}{2}$ page; In-Freight, 1 page; Mdse. Purchases, Mdse. Inventory, each $\frac{1}{2}$ page; Mdse. Sales, $\frac{2}{3}$ page; Cash Discount, General Expense, Interest and Discount, Commission, Bad Debts, Loss and Gain, each $\frac{1}{2}$ page. All others $\frac{1}{2}$ page.

MEMORANDA OF TRANSACTIONS

MARCH

Toronto, Mar. 1, 19—. P. Hamilton and J. Boulton have agreed to enter into a partnership for the purpose of carrying on a Wholesale Grocery Business under the following conditions:

1. The firm name is to be P. Hamilton & Co.
2. P. Hamilton is to invest cash, \$5000, and J. Boulton is to invest cash, \$4000.
3. Each is to receive interest at 5% per annum on capital invested and to be charged the same rate on withdrawals.
4. The remaining gains and losses are to be shared equally.
5. The partnership is to continue for five years.
6. In case of dissolution, realization losses are to be shared equally.

Each partner hands in a marked cheque for the amount of his investment, and the cheques are deposited to the credit of the firm in the Imperial Bank.

They have decided to purchase the Wholesale Grocery Business of J. H. McFarlane, 35 Front St. E. Mr. McFarlane has submitted a statement of the present standing of his business, and it has been agreed that P. Hamilton & Co. shall assume all Liabilities and take over all Assets at the value set down in the statement, except that an allowance shall be made of 2% on Accounts Receivable for possible bad debts; and McFarlane shall be allowed a bonus of \$1000 in lieu of the goodwill of the business.

Of the net amount, one-half is then to be paid in cash and the balance in two equal notes of 30 and 60 days without interest.

The statement is as follows :

ASSETS						
Goods as per Stock list	-	-	-	-	-	4352.75
Accounts Receivable as follows :						
J. McArthur	-	-	-	-	-	536.10
A. C. Coates	-	-	-	-	-	273.15
R. A. Evans & Co.	-	-	-	-	-	320.15
E. R. Gorman	-	-	-	-	-	426.20
B. C. Merchant	-	-	-	-	-	325.15
Newell & Reid	-	-	-	-	-	239.75
						2120.50
Rent, 1 month, paid in advance	-	-	-	-	-	150
Office Furniture	-	-	-	-	-	450
Bills Receivable, D. A. Beattie, due Mar. 29	-	-	-	-	-	350
Insurance, 10 months in advance	-	-	-	-	-	62.50
						7485.75
LIABILITIES						
Bills Payable, R. M. Simpson, due Apr. 11	-	-	-	-	-	330
Accounts Payable as follows :						
East India Tea Co.	-	-	-	-	-	720
Standard Refining Co.	-	-	-	-	-	600
						1650
J. McFarlane, Net Capital	-	-	-	-	-	5835.75

The necessary adjustments are made for bad debts and goodwill, and a cheque is then given for one-half the net capital then standing to J. McFarlane's credit, and two equal notes at 30 and 60 days without interest for the balance.

Make a statement of Assets and Liabilities showing the adjustment. Make all necessary opening entries.

Post. Take a Trial Balance. Remember the Accounts Receivable and Accounts Payable Accounts in the General Ledger.

Engaged D. Hunter and R. Miller as salesmen at \$15 a week, student as bookkeeper at \$12.50 a week, and Miss J. Moore as stenographer at \$7.50 a week.

McFarlane's lease of the store has two years still to run; we have assumed the lease.

Bought of the City Coal Co. 10 tons coal at \$6.75. Paid the bill by cheque.

2. Remitted to the East India Tea Co. a bank draft purchased by cheque for their bill of Feb. 25, \$720, less discount 2%. Exchange 1%.

Received from A. C. Coates, his cheque for the bill of Feb. 22, \$273.15, less 1%.

3. Received from the Vancouver Canning Co., an invoice of Mdse., Feb. 23, 1 lb., 20 c/s Kippered Herring, 1 lb., 80 doz., @ 90c.; 16 c/s Lobsters, 1 lb., 64 doz., @ \$1.80; 10 c/s Oysters, 1 lb., 40 doz., @ \$1.80; 20 c/s Salmon, 1 lb., 80 doz., @ \$1.70; 30 c/s Sardines, $\frac{1}{4}$ lb., @ \$11.25 per case.

Paid freight on the above invoice by cheque, \$22.45.

Remitted to the Standard Refining Co. a cheque for the bill of Feb. 22, \$600, less 1%.

Drew on R. A. Evans & Co. at 30 da. for the bill of Feb. 17, \$320.15, and left the draft with the bank for collection (enter in the B. B.).

Drew on J. McArthur at 30 da. from Feb. 10 for the bill of that date, \$317.50, and had the draft accepted.

4. Sold to F. & B. Leonard, 2 c/s Kippered Herrings, 1's, 8 doz., @ \$1 : 4 c/s Salmon, 1's, 16 doz., @ \$1.85; 5 c/s Can. Corn, 2 lb. tins, 10 doz., @ 75c.; 3 c/s Can. Tomatoes, 3's, 6 doz., @ 85c.; 4 c/s Evaporated Apples, ea. 50 lbs., @ 7c.; 4 bxs. 30/40 Cal. Prunes, 25 lbs. ea., @ 7c. Sold to J. McArthur, 1 chest Ceylon Tea, 60 lbs., @ 22c.; 2 hf.-ch. Gunpowder Tea, 79-13, 81-15 = @ 35c.; 2 bxs. Breakfast Cocoa, 6 lbs. ea., @ 25c.; 3 bxs. 80/90 Cal. Prunes, ea. 25 lbs., @ 6c.; 4 bxs. Layer Raisins, ea. 22 lbs., @ \$4.50 per box.

Remitted to the Vancouver Canning Co., a Bank draft purchased by cheque for the net amount of their bill of Feb. 23, exchange $\frac{1}{8}\%$.

Received from E. R. Gorman, his cheque for the bill of Feb. 20, \$426.20, less 1%.

Pay the salaries for the week. Draw one cheque for the full amount, then make the payments in cash.

Pay by cheque the bill of "The Daily Standard," for advertising for the week, \$9.75.

Deposited all cheques on hand.

Post up to date and find the Cash and Bank balances, but do not post totals nor close the Cash Book.

6. Received from the East India Tea Co., an invoice of Mdse., Feb. 26, $\frac{2}{30}$, $\frac{1}{60}$: 20 bxs. B. Cocoa, $\frac{1}{2}$ lb. tins, 120 lbs., @ 23c.; 15 bags Java Coffee, 110-6, 106-9, 108-8, 107-9, 109-10, 110-8, 109-8, 107-10, 106-11, 108-12, 110-9, 103-8, 107-10, 109-11, 103-8 = @ $22\frac{1}{2}$ c.; 40 tins Mocha Coffee, ea. 25 lbs. net, @ 18c.; 30 c/s Eng. Breakfast Coffee, ea. 24 lbs., @ 28c.

Sold to D. A. Beattie, 4 c/s Can. Corn, 2's, ea. 2 doz., @ 75c.; 3 c/s Can. Tomatoes, 3's, ea. 2 doz., @ 85c.; 4 25-lb. tins Mocha Coffee @ 20c.; 5 c/s Eng. Breakfast Coffee, ea. 24 lbs., @ 32c.; 3 bxs. 90/100 Cal. Prunes, ea. 25 lbs., @ 5c.

Received from B. C. Merchant, his cheque for bill of Feb. 25, \$325.15, less 1%.

Drew on J. McArthur at 30 da. from Feb. 19, payable at the Merchants Bank, for bill of that date, \$218.60. Had the draft accepted and discounted it at the Bank at 7c., proceeds credited.

Paid by cheque for a bill of Stationery, \$17.10.

Gave D. Hunter and R. Miller, each a cheque for \$15 to cover travelling expenses for the week.

Paid by cheque, freight on Invoice from the East India Tea Co., \$27.60.

7. Sold to J. Archer, 4 c/s Evaporated Apples, 50 lbs. ea., @ 7c.; 5 bxs. Layer Raisins, ea. 22 lbs., @ 7c.; 6 hf. c/s Currants, 70-12, 80-10, 76-12, 75-9, 77-10, 74-11 = @ $8\frac{1}{2}$ c.; 3 bxs. Dates, 72-7, 74-7 $\frac{1}{2}$, 73-7 = @ 6c.

Received from Newell & Reid, their cheque for bills of Feb. 28, \$110.50, less 3%, and \$129.25, less 1%. Deposited all cheques on hand.

Drew from the bank \$50, to be used in paying petty office expenses.

Paid for postage stamps in cash, \$2.60.

8. Received from the California Fruit Co., an invoice of Fruit, Feb. 25, 30 da., 2% disc. for cash on receipt of Invoice : 15 c/s Evap. Apples, 50 lbs. ea., @ $5\frac{1}{2}$ c.;
 15 25-lb. bxs. 30/40 Cal. Prunes, 375 lbs., @ 10c.;
 20 " 40/50 " " 500 " @ $9\frac{1}{2}$ c.;
 10 " 80/90 " " 250 " @ 5c.;
 10 " 90/100 " " 250 " @ 4c.;

20 bxs. Figs, 10, 12, 11 $\frac{1}{2}$, 10, 10 $\frac{1}{2}$, 12 $\frac{1}{2}$, 12, 11, 11 $\frac{1}{2}$, 11 $\frac{1}{2}$, 10, 11, 10, 10 $\frac{1}{2}$, 11, 11 $\frac{1}{2}$, 11, 12 $\frac{1}{2}$, 12, 10 = Less $\frac{1}{10}$, @ $8\frac{7}{8}$ c.

Note.—In allowing the tare, $\frac{1}{10}$, take whole pounds only; drop all fractions, large or small.

Sold to A. C. Coates, 5 bbls. Gran. Sugar, 320-23, 325-21, 322-22, 324-21, 320-23 = $\text{m} 4\frac{3}{4}\text{c.}$; 3 bbls. Yellow Sugar, 320-24, 322-22, 324-21 = $\text{m} 4\frac{1}{4}\text{c.}$; 4 c/s Maple Syrup, 1 gal. tins, ea. 2 doz. per gal. \$1.05.

Bought at the bank, by cheque, a bill of exchange on San Francisco at $100\frac{2}{3}$ and remitted to the California Fruit Co. in payment of the invoice received to-day.

Paid by cheque, freight on Invoice of California Fruit Co., \$10.20.

9. Sold to R. A. Evans & Co., 2 doz. bxs. Abernethy Biscuits, ea. 13c. : $1\frac{1}{2}$ doz. bxs. Fig Bar, each $12\frac{1}{4}$ lbs., $\text{m} 13\frac{1}{4}\text{c.}$: $2\frac{1}{2}$ doz. bxs. Ginger Snaps, each $7\frac{1}{2}$ lbs., $\text{m} 11\frac{1}{2}\text{c.}$; 5 bxs. Sapolio, ea. $\frac{1}{4}$ gross, per box \$2.85 ; 5 c/s Surprise Soap, 100's, per case \$4 ; 3 c/s Safety Matches, 70's, per case \$3.60.

The Fruit from the California Fruit Co. was received to-day. Paid the duty, $20\frac{1}{2}\%$, and brokerage $\frac{1}{2}\%$, by marked cheque.

10. Sold to H. R. Harrison, 3 c/s Lobsters, 1's, ea. 4 doz., per doz. \$2 ; 5 c/s Sardines, $\frac{1}{2}$'s, ea. 100 tins, per c/s \$12.50 ; 6 hf-ch. Japan Tea, ea. 85 lbs. net, $\text{m} 18\text{c.}$; 3 hf-ch. Y. H. Tea, 82-15, 85-14, 84-15 = $\text{m} 25\text{c.}$; 4 bxs. 30/40 Cal. Prunes, ea. 25 lbs., $\text{m} 12\text{c.}$

Drew on H. R. Harrison at 15 days from date, for the amount of these goods, and left with the bank for collection.

Paid in cash the bill of the City Cartage Co. for delivering goods, \$3.25.

11. Received from the Standard Refining Co., the following invoice, Mar. 7, 1'10, $\text{m} 30$: 30 bbls. Gran. Sugar, 320-21, 325-23, 326-21, 323-22, 326-24, 325-24, 322-23, 323-20, 320-20, 324-22, 324-21, 323-21, 323-21, 320-20, 321-21, 320-21, 323-21, 320-20, 325-20, 325-21, 323-22, 322-21, 324-22, 320-20, 324-22, 322-24, 324-23, 321-24, 325-22, 321-25 = $\text{m} 4\frac{1}{2}\text{c.}$; 20 bbls. Yellow Sugar, 325-22, 325-20, 320-22, 322-21, 320-22, 324-21, 320-22, 323-21, 321-20, 325-20, 322-20, 323-24, 325-20, 322-21, 323-21, 321-20, 325-21, 324-23, 325-25, 320-23 = $\text{m} 4\frac{1}{2}\text{c.}$; 30 c/s Gold Medal Syrup, 2 lb. tins, 2 doz. ea., per doz. \$1.05.

Sold H. E. Blackwell, C.O.D., 4 c/s Peaches, 2's, ea. 2 doz., $\text{m} 1.75$; 3 c/s Peas, 2's, ea. 2 doz., $\text{m} 75\text{c.}$; 5 bxs. Sultana Raisins, ea. 25 lbs., $\text{m} 7\text{c.}$; 2 bxs. Dates, 72-7, 73-7 $\frac{1}{2}$ = $\text{m} 6\text{c.}$

Drew on H. E. Blackwell, on demand, for the amount of the above invoice, less 1 $\frac{1}{2}$, attached the draft to the Bill of Lading, and left with the bank for collection.

Sold to B. C. Merchant, 4 bbls. Yellow Sugar, 320-22, 323-21, 321-22, 324-21 = $\text{m} 4\frac{1}{4}\text{c.}$; 10 pails Icing Sugar, ea. 30 lbs., $\text{m} 6\frac{1}{2}\text{c.}$; 3 c/s Maple Syrup, 1 gal. tins, ea. 2 doz., per gal. \$1.05.

D. Hunter reports travelling expenses for the week, \$12.10, and R. Miller, \$13.25.

Drew a cheque for the amount of the salaries for the week, and paid the employees in cash.

Paid by cheque, the bill of "The Daily Standard" for advertising, \$12.50.

Post up to date. Find Cash and Bank balances.

13. Gave to D. Hunter and R. Miller, each a cheque for \$15, to meet travelling expenses for the week. The invoice of the Standard Refining Co., received on the 11th, was found to be short 4 c/s of Gold Medal Syrup. Write them requesting credit for this amount.

Sold to C. R. Dunlop, 5 ch. Ceylon Tea, 101-19, 103-20, 105-21, 104-19, 105-20 = $\text{m} 28\text{c.}$; 3 hf-ch. Oolong Tea, 57-10, 60-12, 58-11 = $\text{m} 22\frac{1}{2}\text{c.}$; 5 bags Golden Rio Coffee, 120-10, 135-12, 128-10, 133-11, 140-10 = $\text{m} 30\text{c.}$; 2 doz. bxs. Fig Bar, ea. $12\frac{1}{4}$ lbs., $\text{m} 13\frac{1}{4}\text{c.}$; 3 doz. bxs. Ginger Snaps, ea. $7\frac{1}{2}$ lbs., $\text{m} 11\frac{1}{2}\text{c.}$

Sold to E. R. Gorman, 4 c/s Apples, 1's, ea. $\frac{1}{2}$ doz., per doz. \$2.40 ; 3 c/s Pineapples, 1's, ea. 4 doz., per doz. \$1.25 ; 5 bxs. B. Cocoa, 1's, ea. 30 lbs. net, $\text{m} 25\text{c.}$; 4 bags Java Coffee, 106-6, 109-8, 107-9, 110-7 = $\text{m} 28\text{c.}$; 3 bxs. Sultana Raisins, ea. 25 lbs., $\text{m} 7\text{c.}$

14. Received from the Ontario Biscuit Co., the following invoice, Mar. 13, $\frac{2}{3}$ per $\frac{1}{2}$ doz.: 8 doz. bxs. Oyste. Bis., ea. $4\frac{1}{2}$ lbs., @ 8 $\frac{1}{2}$ c.; 8 doz. bxs. Abernethy Bis., ea. $6\frac{1}{2}$ lbs., @ $11\frac{1}{4}$ c.; 7 doz. bxs. Fig Bar, ea. $12\frac{1}{4}$ lbs., @ $11\frac{3}{4}$ c.; 9 doz. bxs. Ginger Snaps, ea. 8 lbs., @ $9\frac{3}{4}$ c.; 20 bxs. Sodas, ea. 18 lbs., @ $10\frac{1}{2}$ c.
 Sold to Newell & Reid, 5 bbls. Gran. Sugar, 320-22, 325-20, 323-21, 320-22, 323-20 @ 4 $\frac{3}{4}$ c., 3 hf-ch. Y. H. Tea, 82-16, 83-15, 85-16 = @ 25c.; 2 bags Java Coffee, 106-9, 108-7 = @ 28c.; 4 hf. c/s Currents, 70-10, 75-12, 77-11, 76-9 = @ 8 $\frac{1}{2}$ c.
 Drew on C. R. Dunlop at 15 da. from the 13th, for the bill of that date, and left with the bank for collection.

15. The bank presented the sight draft of the Standard Refining Co., for the amount of their invoice of the 7th, less disc. Paid it by cheque.
 Drew on B. C. Merchant at 15 da. from Mar. 11, for the amount of the bill of that date. Had the draft accepted and discounted it at the bank at 7%. Proceeds credited. (Enter in B. B.)
 Received from J. McArthur, his cheque for \$100 on his acceptance due to-day. He asked us to draw on him at 30 da. for the balance of the bill. Drew the draft at 30 da. with interest at 6 per cent. per annum, and had it accepted.
 Paid the City Cartage Co. for delivering goods, cash \$1.25.
 Paid the Light bill for the past month in cash, \$7.10. Petty Cash is examined and cheque issued. Mr. Hamilton and Mr. Boulton each withdrew by cheque \$50. See that all cash is deposited.
 Post up to date. Post totals. Close the Cash Book and bring down balances. Take a Trial Balance. Make Financial Statements. Close the Books. Inventory page 3.

16. Sold to Chas. Jackson & Son, 3 c/s Lobsters, 1's, ea. 4 doz., per doz. \$2; 5 c/s Salmon, 1's, ea. 4 doz., per doz. \$1.85; 10 c/s Parlour Matches @ \$5.20; 8 c/s Sunlight Soap @ \$4.10.
 The bank reports the draft on H. E. Blackwell, Mar. 11, collected and credited, less exchange 10c.
 Received from F. & B. Leonard, cheque for amount of their bill of Mar. 4, less discount.

17. Received from the East India Tea Co., the following goods, Mar. 10, $\frac{2}{3}$ per $\frac{1}{2}$ doz.: 15 ch. Ceylon Tea, 103-18, 101-19, 103-18, 105-19, 102-20, 103-17, 104-20, 105-20, 103-18, 105-16, 104-17, 103-18, 105-17, 102-18, 105-17 = @ 24c.; 10 hf-ch. Japan Tea, 85 lbs. ea. net @ 16c.; 8 hf-ch. Oolong Tea, 57-10, 60-12, 58-11, 59-12, 57-10, 56-11, 58-11, 60-10 = @ 20c.
 Sold to F. & B. Leonard, 4 hf/c Oolong Tea, 57-10, 59-11, 58-10, 60-12 = @ $22\frac{1}{2}$ c.; 3 ch. Ceylon Tea, 180 lbs. net @ 22c.; 5 c/s Evap. Apples, ea. 50 lbs., @ 7c.; 2 bxs. 40/50 Cal. Prunes, ea. 25 lbs., @ 12c.
 We have to-day received a letter from E. R. Gorman stating that the Java Coffee sold him on the 13th is inferior in quality and asking that an allowance be made in price. Newell & Reid have also written to the same effect, and we send a credit note to each, allowing a rebate of 3 cents a pound.
 Paid by cheque, freight on the Invoice of the East India Tea Co., \$15.75.

18. Received from the Canada Soap Works, the following Invoice, Mar. 17, $\frac{2}{3}$ per $\frac{1}{2}$ doz.: 1 doz. bxs Kitchen Sapolio, ea. $\frac{1}{4}$ gross, per box \$2.55; 20 c/s Comfort Soap, 100's, per case \$3.50; 20 c/s Surprise Soap, 100's, per case \$3.50; 15 bxs. White Castile Soap, ea. 3 doz., per doz. 40c.
 Sold to A. W. Freeman, C.O.D., less 3%, 3 bxs. Layer Raisins, ea. 22 lbs., per box \$4.50; 4 bxs. Sultana Raisins, ea. 25 lbs., @ 7c.; 3 bxs. Dates, 72, 72, 74-22 $\frac{1}{2}$ @ 6c. Shipped by Dominion Express, Collect.
 Received from the Standard Refining Co., a credit note for 4 c/s G. M. Syrup, short on Invoice of the 7th. (Enter in Rebates Dr. book.)

Received from A. C. Coates, his cheque for the amount of his n/c purchase of the 8th.

D. Hunter reported travelling expenses for the week, \$10.25 ; R. Miller, \$11.20.

Drew a cheque for the amount of salaries for the week, and paid it out in cash.

Paid the "Daily Standard" by cheque, for advertising for the week, \$11.75.

Post up to date. Find Cash and Bank balances.

20. Gave D. Hunter and R. Miller, each a cheque for \$10 to cover travelling expenses for the week.

Sold A. C. Coates, 3 bbls. Gran. Sugar, 325-21, 322-20, 320-23 = @ $4\frac{3}{4}$ c. ; $1\frac{1}{2}$ doz. bxs. Ginger Snaps, ea. $7\frac{1}{2}$ lbs., @ $12\frac{1}{2}$ c. ; $3\frac{1}{2}$ doz. bxs. Oyster Crackers, ea. $4\frac{1}{2}$ lbs., @ $10\frac{1}{4}$ c.

Sold F. J. Osborne, C.O.D., less 3%, 3 c/s Surprise Soap @ \$4 ; 8 c/s Sunlight Soap @ \$4.10 ; 10 c/s Telephone Matches @ \$4.35.

Drew on F. J. Osborne, on demand, for the net amount of the above sale, attached the draft to the B/L and left it with the bank for collection.

Received from the East India Tea Co., a credit note for 3c. a pound on the Java Coffee, received on the 6th inst.

Paid with bank draft purchased by cheque (exchange $\frac{1}{8}$), the invoice of the East India Tea Co., received Mar. 6, less rebate and discount.

The bank has today returned the draft of the 14th on C. R. Dunlop, dishonoured, exchange 50c.

The draft and discount allowed are both charged back to his account.

21. Received from Welland & Welland, an invoice of canned fruit, Mar. 18, " 1/2, " 3/4, 20 c/s Apples, 1 gal., 10 doz., per doz. \$2.15 ; 12 c/s Peaches, 2's, 24 doz., per doz. \$1.55 ; 22 c/s Pineapples, 1's, 88 doz., per doz. \$1.10 ; 60 c/s Can. Corn, 2's, 120 doz., per doz. $67\frac{1}{2}$ c. ; 20 c/s Peas, 2's, 40 doz., per doz. $67\frac{1}{2}$ c. ; 22 c/s Tomatoes, 3's, 44 doz., per doz. 75c.

Sold to H. R. Harrison, 6 c/s Oysters, 1's, 12 doz., per doz. \$2 ; 3 c/s Sardines, 1/2's, @ \$12.50 ; 5 c/s Kippered Herrings, 20 doz., per doz. \$1 ; 6 bags Java Coffee, 106-9, 108-7, 107-10, 110-8, 108-9, 106-10 = @ 28c.

Sold to Joseph Archer, 12 bxs. Figs, 10, 12, 11, $12\frac{1}{2}$, 10, 10, 12, 11, $11\frac{1}{2}$, 12, $10\frac{1}{2}$, 11 (tare 10%), @ $10\frac{1}{2}$ c. ; 3 bxs. 80/90 Cal. Prunes, ea. 25 lbs., @ 6c. ; 2 doz. bxs. Water Wafers, ea. $5\frac{1}{2}$ lbs., @ 13c. ; 6 bxs. Soda Bis., ea. 18 lbs., @ 12c.

Paid by cheque, the Invoice of the Ontario Biscuit Co. of Mar. 13, less discount.

C. R. Dunlop has returned 2 chests of the Ceylon Tea sold to him on the 13th, 101-19, 103-20, and we have given him a credit note for the amount.

Received from D. A. Beattie, his cheque for the net amount of his 3 mos. and 30 da. bills of the 6th Deposited all cheques on hand.

22. Received from J. Archer, his cheque for the amount of his bill of the 7th, less discount.

Drew on C. R. Dunlop at 3 mos. and 30 da., for the amount of the bills of the 13th, less returns, and left the drafts with the bank for collection.

Paid in cash the City Cartage Co.'s bill for delivering goods, \$1.45.

Paid for postage stamps in cash, \$3.10.

Paid by cheque, a bill for painting done to Mr. Boulton's private residence, \$22.50.

23. Sold to J. McArthur, $2\frac{1}{2}$ doz. bxs. Abernethy Bis., ea. $6\frac{1}{2}$ lbs., @ $12\frac{1}{2}$ c. ; $1\frac{1}{2}$ doz. bxs. Oyster Crackers, ea. $4\frac{1}{2}$ lbs., @ $11\frac{1}{4}$ c. ; 8 bxs. Soda Bis., ea. 18 lbs., @ 12c. ; 6 c/s Can. Corn, 2's, 12 doz., per doz. 75c. ; 10 c/s Peas, 2's, 20 doz., per doz. 75c.

Received from the Dominion Express Co., an E.M.O. for the amount of the sale to A. W. Freeman Mar. 18.

Drew on R. A. Evans & Co., on demand, for the amount of their bills of Mar. 9, less disc. on the 30 da. bill, and deposited the drafts in the bank, exchange 35c.

Drew on H. R. Harrison, at 15 da. from Mar. 21, for the amount of the bills of that date, less disc., and left the draft at the bank for collection.

The bank reported the draft on R. A. Evans & Co., Mar. 3, collected and credited, less exchange 40c.

24. Received from H. R. Boynton, an invoice of Matches, Mar. 23, $1\frac{1}{10}$, $\frac{9}{20}$, 20 c/s Safety Matches, 70's, @ \$3.20; 15 c/s Telephone Matches @ \$3.85; 10 c/s Parlour Matches, 100's, @ \$4.70. Sold to C. R. Dunlop, 4 c/s Sardines, 1's, @ \$12.50; 5 c/s Oysters, 1's, 10 doz., per doz. \$2; 3 c/s K. Herrings, 1's, 12 doz., per doz. \$1; 6 c/s Safety Matches @ \$3.60.

Paid by cheque, T. Rennie's bill for repairs and alterations to shelving, \$7.30.

Paid by cheque, the freight on the Invoice of H. R. Boynton, \$8.75.

25. Remitted to Welland & Welland, Picton, a cheque for the amount of their invoice of the 18th, less disc.

Remitted to the Canada Soap Works, a cheque for the amount of their invoice of the 17th, less disc. J. McArthur's acceptance in our favour, due at the bank yesterday, was dishonoured, and the bank has charged it to us, with protest fee 50 cents. Charged this back to his acct.

Sold to B. C. Merchant, 6 chests Ceylon Tea, 101-19, 105-20, 103-20, 102-20, 105-19, 104-19 = @ 28c.; 4 hf-ch. Y. H. Tea, 82-16, 84-16, 83-15, 85-14 = @ 25c.; 15 pails Icing Sugar, ea. 30 lbs., @ 6 $\frac{1}{2}$ c.

D. Hunter has reported travelling expenses for the week, \$11.35: R. Miller, \$10.75.

Paid the salaries for the week. Use one cheque.

Paid by cheque, the bill of "The Daily Standard" for advertising, \$10.75.

Deposited all cheques on hand. Post up to date. Find cash and bank balances.

27. Received from the Vancouver Canning Co., the following Invoice, Mar. 20, $3\frac{1}{15}$, $\frac{9}{30}$: 15 c/s Kippered Herrings, 1's, 60 doz., per doz. 90c.; 15 c/s Oysters, 1's, 30 doz., per doz. \$1.80; 16 c/s Salmon, 1's, 64 doz., per doz. \$1.20.

Sold to Newell & Reid, 10 bxs. Figs, 10, 12, $10\frac{1}{2}$, $11\frac{1}{2}$, 12, 11, 10, $12\frac{1}{2}$, 10, 12 (tare 10) = @ $10\frac{1}{2}$ c.; 8 bxs. 30/40 Cal. Prunes, ea. 25 lbs., @ 12c.; 5 bxs. 90/100 Cal. Prunes, ea. 25 lbs., @ 5c.

Sold Chas. Jackson & Son, 8 c/s Apples, 1 doz., per doz. \$2.40; 6 c/s Pineapples, 24 doz., per doz. \$1.25; 10 c/s Can. Corn, 20 doz., per doz. 75c.; 10 c/s Peas, 20 doz., per doz. 75c.

Five cases of the Safety Matches received from H. R. Boynton on the 24th were found to be defective, and have been returned and charged to his account.

Arranged with J. McArthur to draw on him at 30 da. from Mar. 24 for \$175, on account of his acceptance due on that day and dishonoured. He has paid the balance of the acceptance, the protest fee, 50 cents, and interest at 6% on the renewal in cash.

Gave to D. Hunter and R. Miller each a cheque for \$15 to meet travelling expenses.

Paid by cheque, freight on Invoice of the Vancouver Canning Co. received to-day, \$11.35.

28. Sold R. A. Evans & Co., 6 25-lb. tins Mocha Coffee @ 20c.; 8 h c Oolong Tea, 57-9, 59-12, 58-10, 60-11, 59-10, 60-9, 57-8, 59-12 = @ $22\frac{1}{2}$ c.; 10 bxs. Sapolio @ \$2.85; 8 bxs. White Castile Soap, ea. 3 doz., per doz. 45c.

Remitted to the Vancouver Canning Co. a Bank draft, purchased by cheque (exchange $\frac{1}{2}$), for their invoice of the 20th, less disc.

The Bank reported the draft on F. J. Osborne, collected, proceeds credited; collection charges, 20c.

Received from E. R. Gorman, his cheque for the amount of his 3 mos. and 30 da. bills of Mar. 13, less disc. and rebate.

Received from Chas. Jackson & Son, their cheque for \$120 in payment of their n c bill of Mar. 16, the balance to apply, less disc., on the 30 da. bill of the same date.

29. Received from the East India Tea Co., an Invoice of Tea as follows, Mar. 20, 2¹/₂ c. 10 Chests Ceylon Tea, ea. 60 lbs. net, @ 19c. : 15 h/c Gunpowder Tea, 79-12, 80-10, 81-10, 82-10, 80-9, 83-11, 82-10, 77-10, 82-9, 80-12, 80-9, 82-10, 81-12, 78-11, 80-11 = @ 27c. ; 8 h/c Japan Tea, ea. 85 lbs. net, @ 16c. : 8 h/c Y. H. Tea, 83-10, 82-15, 84-12, 82-13, 85-16, 84-14, 83-13, 82-15 = @ 23c.

Received from D. A. Beattie, his cheque for the amount of his note No. 1, \$350, due to-day.

The Bank reported the draft on H. R. Harrison, due yesterday, collected and credited, less exchange 40c.

Drew on B. C. Merchant at 15 da. from Mar. 25, for the amount of his bills of that date, less disc. on the 3 mos. bill. Had the draft accepted.

Received from Newell & Reid, their cheque for the amount of their bills of Mar. 14, less disc. on the 3 mos. and 30 da. bills and rebate.

Paid, in cash, the bill of the City Cartage Co. for delivering goods, \$3.15.

Paid by cheque, freight on Invoice of the East India Tea Co., \$23.60.

30. Sold to E. R. Gorman, 6 c/s Oysters, 1's, 12 doz., per doz. \$2 ; 5 c/s K. Herrings, 1's, 20 doz., per doz. \$1 : 4 c/s Can. Tomatoes, 3's, 8 doz., per doz. 85c. ; 7 c/s Can. Corn, 2's, 14 doz., per doz. 75c.

Received from F. & B. Leonard, their cheque for the amount of their 3 mos. and 30 da. bills of Mar. 17, less discount.

31. Remitted to the East India Tea Co., a bank draft purchased by cheque for the invoice of Mar. 10, less disc. Exchange $\frac{1}{8}\%$.

Received from A. C. Coates, his cheque for the amount of his n/c bill of Mar. 20.

Deposit all cheques and all cash on hand. Petty cash is examined and the cheque issued.

Adjust the interest between the partners, through their private accounts.

Post up to date. Post Totals. Close the Cash Book and bring down balances. Take a Trial Balance. Make the Financial Statements. Close the Books.

INVENTORIES, Mar. 31 : Goods on hand, \$6615.44; Office Furniture, depreciated 5 $\frac{1}{2}\%$; Insurance 9 mos. in advance; allow 1 $\frac{1}{2}\%$ on Accounts Receivable for Bad Debts; Coal on hand, 5 tons, @ \$6.75. Salaries unpaid, \$—. Travelling expenses to date, \$20.

Distribution of Goods to Departments

INVENTORY Mar. 1

Canned Goods	745.65
Tea and Coffee	1751.10
Dried Fruit	315.80
Sugar	720.65
Biscuits	383.80
Sundries	435.75
	4352.75

INVENTORY, Mar. 31

Canned Goods	1546.90
Tea and Coffee	2619.10
Dried Fruit	308.20
Sugar	1035.80
Biscuits	528.10
Sundries	577.34
	6615.44

MEMORANDA OF TRANSACTIONS

APRIL

April 1, 19 . Remitted to H. R. Boynton, a Bank draft purchased by cheque, exchange $\frac{1}{8}\%$, for the invoice of the 23rd, less returns and discount.

Received from C. R. Dunlop, his cheque for his net cash bill of Mar. 24, and drew on him at 30 da. for the amount of the 30 da. bill of the same date.

Sold to Joseph Archer, 5 c/s Salmon, 1's, 20 doz., per doz. \$1.85 ; 3 c/s Kippered Herrings, 1's, 12 doz., per doz. \$1 ; 6 c/s Peaches, 2's, 12 doz., per doz. \$1.75 ; 10 tins Mocha Coffee, ea. 25 lbs. net @ 20c. ; 4 bags Golden Rio Coffee, 120-10, 125-11, 130-10, 135-12 @ 30c.

Paid the salaries for the week by cheque.

D. Hunter reported travelling expenses for the week, \$12.05, and R. Miller, \$11.30.

Paid by cheque, the bill of "The Daily Standard" for advertising, \$11.20.

Entered into an agreement with the Western Milling Co. to sell their flour. All orders received are to be handed over to the office of the Company in Toronto, and they are responsible for delivery. We are to receive a commission of 10% on net sales. Commission is to be charged and settlement made twice a month.

Mr. Hamilton and Mr. Boulton each added \$750 to his investment. Cheques were received for these amounts and deposited.

3. Received from the California Fruit Co., an invoice of fruit, freight prepaid, Mar. 21, 30 da., 2% disc. for cash on receipt of the invoice : 20 bxs. Layer Raisins @ \$4 ; 30 bxs. Sultana Raisins, 25 lbs. ea., @ $5\frac{1}{2}$ c. ; 30 hf-ch. Currants, 70-9, 78-10, 80-12, 77-11, 76-8, 80-10, 78-12, 77-10, 77-8, 77-10, 80-11, 70-12, 77-10, 76-9, 76-10, 75-9, 76-10, 78-9, 79-12, 77-10, 74-12, 78-8, 78-12, 76-12, 74-11, 76-10, 74-10, 80-9, 72-10, 77-12= @ $6\frac{5}{8}$ c. ; 10 bxs. Dates, 72-7, 73-7 $\frac{1}{2}$, 74-7, 72-7 $\frac{1}{2}$, 73-7, 72-7, 74-7 $\frac{1}{2}$, 74-7 $\frac{1}{2}$, 72-7, 73-7 $\frac{1}{2}$ = @ $4\frac{1}{4}$ c.

Sold to D. A. Beattie, 10 c/s Apples, 1's, 5 doz., @ \$2.40 : 4 c/s Pineapples, 1's, 16 doz., @ \$1.25 ; 8 c/s Tomatoes, 3's, 16 doz., @ 85c. ; 6 bxs. Layer Raisins, ea. 22 lbs., per box \$4.50 ; 4 hf-ch. Currants, 70-12, 72-10, 75-9, 80-11= @ $8\frac{7}{8}$ c.

Remitted to the California Fruit Co., a bill of exchange for the net amount of their invoice received to-day. Rate of exchange 100 $\frac{5}{8}$.

Gave to D. Hunter and R. Miller, each a cheque for \$10, on account of travelling expenses.

Paid by cheque, the 30 da. note given to J. McFarlane, in payment of his business.

Paid rent for April by cheque.

4. Sold to F. & B. Leonard, 6 bbls. Gran. Sugar, 320-23, 325-21, 322-20, 324-20, 323-22, 321-23= @ $4\frac{1}{4}$ c. ; 3 bbls. Y. Sugar, 325-22, 324-21, 322-24= @ $4\frac{1}{4}$ c. ; 4 h/c Y. H. Tea, 82-16, 85-15, 83-15, 84-16= @ 25c. ; 10 bbls. Superior Flour, $\frac{1}{8}$ s, @ \$5.60.

J. McArthur finds that for want of sufficient capital he is unable to continue his Grocery Business at 1001 Queen St. E., and we have agreed to take over the business and conduct it as a branch store, with Mr. McArthur in charge. We have gone over the business with him, and find the present standing as follows : Stock on hand, \$1250 ; Accts. Receivable, \$450 ; Accts. Payable, \$350 ; Bills Payable, \$675 ; Insurance paid in advance, \$11.25. It is agreed between us that McArthur shall receive a salary of \$50 a month and a commission of 2 $\frac{1}{2}$ % on sales. The books are to be kept at the branch, and all cash received is to be deposited daily in the Imperial Bank, to the credit of the Head Office. Reports of Sales and of Cash receipts are to be rendered semi-weekly, and all bills are to be handed over to the head office for payment. We

take over the lease of the store at \$30 a month, and the unexpired insurance, 9 months, \$11.25. His acceptances in our favour are to be charged to his account, and he is then allowed a discount of 10% on the balance of the account.

Make and post the entry for carrying this 10% to Bad Debts account.

Credit McArthur's personal account with the amount of the assets of his business, and charge his personal account with the amount of the liabilities assumed on account of his business.

Charge these assets to the Queen Street Branch account and credit the liabilities to the same account.

Issue cheques in settlement of McArthur's account, and the accounts payable and bills payable, assumed on account of the branch store.

5. Received from the Standard Refining Co., the following invoice, freight prepaid, Apr. 1, 1911: 50 pails Icing Sugar, ea. 30 lbs., @ 6 $\frac{1}{2}$ c.; 10 bbls. Gran. Sugar, 320-20, 325-23, 322-21, 325-22, 322-21, 323-20, 325-22, 324-21, 320-25, 322-24 = @ 4 $\frac{1}{2}$ c.; 10 c/s Maple Syrup, 1 gal. tins, 20 doz., per gal. 95c.

Sold to M. E. Keith, C. O. D., less 1 $\frac{1}{2}$, 4 bxs. 30-40 Cal. Prunes, ea. 25 lbs., @ 12c.; 4 bxs. 80-90 Cal. Prunes, ea. 25 lbs., @ 5c.; 5 h/c Currents, 70-12, 75-10, 78-9, 77-10, 80-9 = @ 8 $\frac{1}{2}$ c.; 3 bxs. Dates, 72, 74, 72-22 $\frac{1}{2}$ = @ 6c.

Drew on M. E. Keith, on demand, for the amount of the above invoice, less 1 $\frac{1}{2}$; attached the draft to the B/L, and left it with the bank for collection.

Paid in cash, duty of 20% on the invoice of the California Fruit Co. of the 21st ult., received on the 3rd. Brokerage $\frac{1}{8}$ %.

Received from J. Archer, his cheque for the amount of his bill of Mar. 21, less disc.

6. Sold to A. C. Coates 1 $\frac{1}{2}$ doz. bxs. Abernethy Bisc., ea. 6 $\frac{1}{2}$ lbs., @ 13c.; 2 doz. bxs. Oyster Crackers, ea. 4 $\frac{1}{2}$ lbs., @ 11 $\frac{1}{2}$ c.; 1 doz. bxs. Fig Bar, ea. 12 $\frac{1}{4}$ lbs., @ 13 $\frac{1}{4}$ c.; 10 c/s Sunlight Soap @ 84.10; 12 bxs. White Castile Soap, 36 doz., per doz. 45c.; 8 bbls. "Royal" Flour, 4 $\frac{1}{2}$ ls., @ \$5.40.

Supplied to the Branch Store, 2 c/s Evaporated Apples, 50 lbs., ea., @ 7c.; 2 25-lb. boxes 30-40 Cal. Prunes, 50 lbs., @ 12c.; 3 25-lb. bxs. 40/50 Cal. Prunes, 75 lbs., @ 12c.; 5 bxs. Figs, 10, 12, 11 $\frac{1}{2}$, 10, 10 $\frac{1}{2}$, less 10% = @ 10 $\frac{1}{2}$ c.

7. Sold to Newell & Reid, 12 c/s Parlour Matches @ 85.20; 8 c/s Comfort Soap @ 84; 4 c/s Sardines, 4 $\frac{1}{2}$ ls., @ \$12.50; 12 bbls. Pastry Flour, 4 $\frac{1}{2}$ ls., @ \$4.85.

Drew on A. C. Coates, at 30 da. from Mar. 20, for the amount of the 30 da. bill of that date, and left with the bank for collection.

8. Sold to C. R. Dunlop, 15 c/s Salmon, 1 $\frac{1}{2}$ ls., 60 doz., @ \$1.85; 10 c/s Lobsters, 1 $\frac{1}{2}$ ls., 40 doz., @ \$2; 6 c/s Breakfast Coffee, ea. 24 lbs., @ 32c.; 12 hf-ch. Japan Tea, ea. 85 lbs. net, @ 18c.

The bank presents the S.D. of the Standard Refining Co. for the amount of their invoice of Apr. 1, less shortage on Inv. of Mar. 7 and discount on the balance. Pay the draft by cheque.

Received from Newell & Reid, their cheque for the amount of their bill of Mar. 27, less disc.

The Branch Store reports Cash Sales, \$125. Credit Sales, \$20.10. Cash received on account, \$20. Paid salaries for the week by cheque.

D. Hunter reports travelling expenses for the week, \$12.10. R. Miller, \$13.15.

Paid by cheque, the bill of "The Daily Standard" for advertising, \$15.75.

Paid J. McArthur, salary for one week, \$12.50, and his commission of 2% on sales reported. Charge to the Branch Store account.

Deposited all the cheques on hand. Post up to date. Find cash and Bank balances.

10. Received from the East India Tea Co., the following invoice, Mar. 31, 2 $\frac{1}{2}$ doz. n. c/s: 20 bags Golden Rio Coffee, 120-10, 125-11, 132-10, 140-12, 122-10, 124-12, 123-12, 130-13, 135-12, 125-10, 140-12, 133-11, 125-9, 127-11, 136-10, 140-11, 137-12, 136-10, 122-10, 126-12 = @ 26c.

Paid freight on the above invoice by cheque, \$11.35.

Sold to Chas. Jackson & Son, 4 doz. bxs. Ginger Snaps, ea. $7\frac{1}{2}$ lbs., @ $12\frac{1}{4}$ c.; 6 doz. bxs. Sultana Bis., ea. $12\frac{1}{4}$ lbs., @ $12\frac{1}{2}$ c.; 5 doz. bxs. Water Wafers, ea. $3\frac{1}{4}$ lbs., @ $12\frac{1}{4}$ c.; 10 c/s Safety Matches, 70's, @ \$3.60.

A. C. Coates has returned 2 cases of the Sunlight Soap sold to him on the 6th. Give him credit. Received from R. A. Evans & Co., a S/D on W. Chapman, Toronto, for \$100, to apply on their bills of Mar. 28, and their cheque to cover the balance of the bills, less disc. on the 3 mos. bill. The bank reports the draft on H. R. Harrison, 15 da. from Mar. 21, collected and credited, less exchange 40c.

Gave to D. Hunter and R. Miller, each a cheque for \$12.50, on account of travelling expenses.

Paid for a bill of stationery by cheque, \$18.30.

11. Sold to D. A. Beattie, 4 chests Ceylon Tea, ea. 60 lbs. net, @ 22c.; 10 chests Gunpowder Tea, 79-12, 78-11, 80-15, 79-11, 81-12, 80-10, 79-12, 78-9, 82-10, 80-10 = @ 35c.; 10 bbls. Gran. Sugar, 320-22, 325-21, 323-20, 324-22, 320-21, 323-20, 320-22, 322-21, 325-21, 324-22 = @ $4\frac{3}{4}$ c.

Remitted to the East India Tea Co., a bank draft purchased by cheque for invoice of Mar. 20, less disc. The bank reports the draft on M. E. Keith, Apr. 5, collected and credited, less exchange 15c.

J. McFarlane's note for \$330, which was assumed by us upon taking over the business, falls due to-day and is paid by cheque.

Received from C. Jackson & Son, their cheque for the balance of the 30 da. bill of Mar. 16 and their 30 da. bill of Mar. 27, less disc. \$94.34.

12. Received from the California Fruit Co., an invoice of goods, freight prepaid, Mar. 31, 30 da., 2% discount for cash on receipt of the invoice: 10 c/s Evaporated Apples, ea. 50 lbs., @ $5\frac{1}{2}$ c.; 18 25-lb. bxs. 30/40 Cal. Prunes @ 10c.; 20 bxs. Figs, 10, 12, $10\frac{1}{2}$, 11, 10, $12\frac{1}{2}$, 12, 10, $10\frac{1}{2}$, 11, 12, 11, $10\frac{1}{2}$, 11, 12, $12\frac{1}{2}$, 10, 12, $11\frac{1}{2}$, 10, less 10% = @ $8\frac{7}{8}$ c.

Remitted to the Cal. Fruit Co., a B/E for the net amount of the above invoice. Rate of exchange $99\frac{1}{2}$.

Sold to R. A. Evans, 4 doz. bxs. Abernethy Bis., ea. $6\frac{1}{2}$ lbs., @ $12\frac{1}{2}$ c.; 3 doz. bxs. Water Wafers, ea. $5\frac{1}{2}$ lbs., @ $13\frac{3}{4}$ c.; 6 c/s Oysters, 1's, 12 doz., @ \$2; 10 c/s Apples, 1's, 5 doz., @ \$2.40; 12 c/s Peas, 2's, 24 doz., @ 75c.; 8 c/s Can. Corn, 2's, 16 doz., @ 75c.

Received from B. C. Merchant, his cheque in payment of his acceptance due to-day.

Branch Store reported Cash Sales, \$110; Credit Sales, \$24.30; Cash on acct., \$35.

Paid in cash the bill of the City Cartage Co. for delivering goods, \$1.85.

Deposited all cheques and the Sight Draft on hand.

13. Sold to B. C. Merchant, 8 bxs. B. Cocoa, 48 lbs. net, @ 25c.; 10 tins Mocha Coffee, ea. 25 lbs., @ 20c.; 5 c/s Gold Medal Syrup, 2-lb. tins, ea. 2 doz., per doz. \$1.20; 10 bbls. Pastry Flour, $\frac{1}{8}$'s, @ \$4.85.

Newell & Reid have returned 3 c/s Parlour Matches sold to them on the 7th. Allow them credit.

Supplied to the Branch Store, from stock, 3 c/s Kippered Herrings, 1's, 12 doz., @ \$1; 2 c/s Lobsters, 1's, 8 doz., @ \$2; 1 c/s Oysters, 1's, 4 doz., @ \$2; 4 c/s Salmon, 1's, 16 doz., @ \$1.85; 3 c/s Sardines, $\frac{1}{4}$'s, @ \$12.50.

The Bank returned the cheque received from Newell & Reid, Apr. 8, dishonoured. Charge to their account and write them, returning the cheque.

14. Sold to H. R. Harrison, 10 c/s Comfort Soap @ \$4; 10 bxs. Sapolio @ \$2.85; 10 ch. Ceylon Tea, 101-19, 105-20, 104-18, 103-19, 105-18, 102-18, 104-18, 105-20, 105-19, 103-19 = 15 bbls. "Royal" Flour, $\frac{1}{8}$'s, @ \$5.40.

Paid by marked cheque, the duty of 20% on the California Fruit Co.'s invoice of Mar. 31, brokerage $\frac{1}{2}\%$.

Received from A. C. Coates, his cheque for his n c bill of Apr. 6, less returns, and for his 30 da. bill of the same date, less discount.

Received from E. R. Gorman, his cheque for his bill of Mar. 30, less disc.

Paid John Rowe by cheque, for alterations to office, \$13.20.

15. Received from the Canada Soap Works, an invoice of Soap, Apr. 13, $2\frac{1}{2}$ $\frac{1}{10}$, $\frac{1}{30}$: 15 bxs. Kitchen Sapolio, $\frac{1}{4}$ gross ea., per box \$2.55 ; 30 c/s Sunlight Soap, 100 cakes ea., per case \$3.60 ; 15 c/s Comfort Soap, 100 cakes ea., per case \$3.50 ; 10 bxs. White Castile, 3 doz. ea., per doz. 40c.

B. C. Merchant notifies us that the sale on the 13th is short 1 tin Mocha Coffee. We have a tin delivered to him to-day.

Drew on H. R. Harrison at 15 da. from Apr. 14, for amount of his bills of that date, less disc. on the 3 mos. bill.

The Branch Store reports Cash Sales, \$127.50 ; Credit Sales, \$20.20 ; Cash received on acct., \$22.60. Paid by cheque, the following bills for goods for the Branch Store : Ontario Biscuit Co., \$67.30 ; Canada Soap Works, \$72.10 ; Welland & Welland, \$67.40.

D. Hunter reports travelling expenses for the week, \$10.75 ; R. Miller, \$11.20.

Paid salaries for the week by cheque, including J. McArthur, \$12.50, and commission on sales reported. Received cheques for all Four sold this half-month. No discounts.

Charged the Western Milling Co. commission (10%) on sales to date, and remitted to them a cheque for the balance due. Sent them a statement. See that all cash is deposited. No exchange.

Paid by cheque, the bill of "The Daily Standard" for advertising, \$13.60.

Paid by cheque, the Light bill for the month, \$6.50. Petty cash is examined and cheque issued.

Post up to date. Post totals. Close the cash book and bring down balances. Take a trial balance. Prepare the Financial Statements. Close the books.

INVENTORIES

Tea, \$2388.98; Canned Goods, \$1108.82; Dried Fruits, \$568.84; Biscuits, \$254.89; Sugar, \$1235.78; Sundries, \$574.51; Total, \$6131.82; Coal on hand, \$16.87; Insurance unexpired, \$53.12; Furniture, \$416.25; Rent, paid in advance, \$75; Branch Store, Stock, \$1242.95; Accounts Receivable, \$437; Insurance unexpired, \$10.62; Reserve for Bad Debts, \$19.09.

EXERCISE

1. Company A. has a branch, which it supplies with goods from the wholesale, but which receives cash against ledger accounts and pays in the whole of the cash each day to the Head Office. All wages and branch expenses are paid by cheque from the Head Office on the imprest system.

From the following particulars supplied by the branch, at the end of the year prepare the operating account for the branch, the Head Office account in the Branch books and the Branch account in the Head Office books.

Sales, \$13500; Bad Debts, \$75; Returns from Customers, \$100; Debtors, Jan. 1, \$6250; Allowances to Customers \$25; Debtors, Dec. 31, \$7650; Cash received on Ledger Accounts, \$11900; Goods from the Wholesale, \$10600; Cash Sales, \$7100; Rent and Taxes paid, \$400; Stock on hand Jan. 1, \$2700; Wages and Sundry Expenses, \$1900; Stock on hand Dec. 31, \$3100.

2. From the following data prepare a bank reconciliation statement. Balance as per Cash Book, \$75260; Cheques outstanding, \$175, \$360, \$480; Drafts left for collection, credited by the bank, \$560, \$325, \$160; Collection charges on the foregoing, \$2.50; Dishonoured cheques charged back by the bank, \$25, \$360; Interest allowed by the bank on deposit, \$62.50.

JOINT STOCK COMPANY ACCOUNTS

A Joint Stock Company is an organization, consisting of five or more persons, which has been authorized by charter issued to it by the Dominion Government or by the Legislature of one of the Provinces, to carry on business under conditions set forth in the charter.

It differs from a partnership mainly as to (a) Capital : (b) Liability of members ; (c) Division of Profits.

The full amount of capital which the company is permitted by its charter to have, is called the Authorized Capital, and is divided into shares having a fixed par value, which varies very much, but in ordinary trading or manufacturing concerns is commonly \$100 or \$50.

Those desiring to become members of the company subscribe for or purchase shares of the capital. The total amount so subscribed for need not be the full amount of capital authorized by charter, and it is called the Subscribed Capital.

The amount of capital subscribed for is called in by instalments as required, and the amount thus paid up at any time is called the Paid-up Capital.

The members of the company are called shareholders, and they are not, as members in a partnership are, liable for the full amount of the debts of the company. They are liable only for the amount of the shares for which they have subscribed. In case these have been paid for in full, the shareholders have no further liability. If they have not been paid for in full, the shareholders are liable for the amount necessary to complete the payment at par value.

The profits are divided among the members or shareholders in the proportion of the par value of their subscribed shares. They are distributed at fixed periods quarterly, semi-annually, or annually, as the shareholders may determine. Profits so distributed are called Dividends. It is customary to set aside part of the profits as a Reserve Fund, either to increase the available working capital or to insure that in case of a bad year the shareholders may still receive the usual dividend. But in no case are the profits added directly to capital, as may be done in a partnership. If it is not considered desirable to create a Reserve Fund, then the undivided profits are brought down to the credit of the Loss and Gain account.

A Joint Stock Company being to some extent a public organization, operating under authority from the Government, is required to keep certain books of record and of account not necessary in a partnership. The most important of these with which the bookkeeper is concerned have reference to the capital and the profits of the company, and are the following :

1. The Memorandum of Agreement and Stock Book.
2. The Allotment Book.
3. The Instalment List.
4. The Stock Certificate Book.
5. The Transfer Book.
6. The Stock Ledger.
7. The Dividend Book.
8. The Minute Book.

THE MEMORANDUM OF AGREEMENT AND STOCK BOOK

This is commonly called the Subscription Book. It may be bound in book form, or may consist of separate sheets with convenient ruling. The form is as follows:

MEMORANDUM OF AGREEMENT AND STOCK BOOK

W^e, the undersigned, do hereby severally covenant and agree each with the other to become incorporated as a company under the provisions of The Ontario Companies Act, under the name of The Ontario Biscuit Company, Limited, or such other name as the Lieutenant-Governor-in-Council may give to the Company, with a capital of Twenty-five Thousand Dollars, divided into Two Hundred and Fifty shares of One Hundred Dollars each.

And we do hereby severally, and not one for the other, subscribe for and agree to take the respective amounts of the capital stock of the said Company set opposite our respective names as hereunder and hereafter written, and to become shareholders in such Company to the said amounts.

In witness whereof we have signed.

SIGNATURES OF SUBSCRIBERS	SEALS	AMOUNT OF SUBSCRIPTION	DATE AND PLACE OF SUBSCRIPTION		RESIDENCE OF SUBSCRIBERS	SIGNATURE OF WITNESSES
			Date	Place		
			29—			
D. W. Thompson	x	\$7000	Apr. 1	Toronto	Toronto	J. Coulter
Jas. Stewart	x	\$6000	" 1	"	Toronto	J. Coulter
W. J. Gibson	x	\$6000	" 1	"	Linwood	J. Coulter
D. McKinnon	x	\$3000	" 1	"	Crosshill	J. Coulter
O. L. Richardson	x	\$3000	" 1	"	Waterloo	J. Coulter

THE ALLOTMENT BOOK

When the shares of a Company are offered to the public, blank forms of application are sent out to those likely to subscribe or are provided for those who wish to subscribe. Such applications, when returned, are considered by the directors, and those whose applications are accepted are notified to that effect. The others are notified that their applications have not been accepted, and deposits made on account of the stock are returned. This book is unnecessary when there are only a few shareholders.

INSTALMENT LIST

The stock subscribed for is sometimes paid for in full at the time of subscription. In other cases payment is made in instalments of such amount and at such intervals as may be decided upon by the directors. Demands for such payments are termed Calls. When a call is made by the directors, an Instalment List is prepared which sets forth the names of the shareholders and the amount payable by each.

Instalment List of the First Call of twenty-five per cent, on the stock of the Ontario Biscuit Company, Limited, due and payable May 1, 19—

L.F.	NAME OF SHAREHOLDER	ADDRESS	NO. OF SHARES	INSTALMENT	INTEREST	AMOUNT RECEIVED	DATE OF PAYMENT
							19—
							May 1
D. W. Thompson	Toronto	79	1750			1750	May 1
Jas. Stewart	Toronto	60	1500	6	25	1506	May 1
W. J. Gibson	Linwood	60	1500			1500	May 1
D. McKinnon	Crosshill	30	750			750	" 1
O. L. Richardson	Waterloo	30	750	6	25	756	July 1
		250	6250	12	50	6262	50

INSTALMENT RECEIPT AND STOCK CERTIFICATE

Receipts are issued to the shareholders upon the payment of each call. These receipts should be bound in a book, and each receipt should have a stub upon which the shareholder gives an acknowledgement of the receipt. These Instalment Receipts are called Scrip, and when the stock is paid up in full the Scrip is exchanged for a Stock Certificate.

Instalment Receipt

The Ontario Biscuit Company, Limited

Instalment Receipt

No. 1.

Name, *D. W. Thompson.*Call First— 25%

On 70 shares of \$100 each.

Amount, \$1750.

Date, *May 1, 19—.*

Received receipt for the above instalment.

D. W. THOMPSON.

No. 1

Instalment Receipt, \$1750

70 Shares

The Ontario Biscuit Company, Limited

Received from D. W. Thompson the sum of One Thousand Seven Hundred and Fifty Dollars, being the first Call of 25 per cent. on 70 shares of the stock of the Ontario Biscuit Company, Limited, the said shares having been reserved and set apart for him or his assigns on condition that he or they fulfil the terms of subscription.

In witness whereof we hereunto subscribe our names and affix the Corporate Seal of the Company this first day of May, 19—.

JAS. STEWART,

[SEAL]

D. W. THOMPSON,

Secretary.

President.

Stock Certificate

Stock Certificate

No. 1.

For 70 Shares

Issued to

W. D. Thompson.

Date, *May 1, 19—.*

Transferred from

Date.....

No. Original Certificate

No. Original Shares

No. Shares Transferred

Received Certificate No. 1 for 70 Shares this 1st day of May, 19—.

D. W. THOMPSON.

No. 1

70 Shares

This certifies that D. W. Thompson is the owner of Seventy fully paid shares of One Hundred Dollars each of the Capital Stock of

The Ontario Biscuit Company, Limited

The said shares are transferable only on the books of the Company in person or by attorney upon the surrender of this certificate.

In witness whereof the said Company has caused this certificate to be signed by the duly authorized officers under the Corporate Seal of the Company, this 1st day of May, 19—.

JAS. STEWART,

[SEAL]

D. W. THOMPSON,

Secretary.

President.

TRANSFER OF STOCK

Shares not fully paid up can only be transferred with the consent of the directors of the company. In some companies this consent is necessary for the transfer of fully paid-up stock. When stock is transferred, the certificate is returned to the company and a new certificate issued to the transferee. In case only a part of the stock represented by the certificate is transferred, the certificate is returned and cancelled and new certificates issued to the seller and to the purchaser of the shares. The record of transfers is kept in a Transfer Book ; if transfers are numerous, a Transfer Register is used.

Transfer Book

Stock Ledger Folio 3	For Value Received, I, W. J. Gibson, do hereby assign and transfer to C. Whitman all my right, title and interest in sixty shares of the Capital Stock of the Ontario Biscuit Company, Limited, on which has been paid the sum of One Thousand Five Hundred Dollars, and now standing in my name in the books of the said Company. Witness my hand at the office of the Company, in the City of Toronto, this 15th day of May, 19—.
Witness, J. COLLAS.	W. J. GIBSON.
I hereby accept the foregoing transfer of sixty shares of the Capital Stock of the Ontario Biscuit Company, Limited. Dated this 15th day of May, 19—.	Witness, J. COLLAS. C. WHITMAN.

THE DIVIDEND BOOK

This book shows the amount of profits payable to each of the shareholders for the period to which it refers. It is prepared after the dividend for any period has been fixed by the directors.

THE ONTARIO BISCUIT COMPANY, LIMITED						
Dividend No. 1, 3 per cent., declared June 1, 19—						
NAME OF SHAREHOLDER	ADDRESS	NO. OF SHARES	AMOUNT OF DIVIDEND	DATE OF PAYMENT	SIGNATURE	
D. W. Thompson	Toronto	70	210	June 1	D. W. Thompson	
Jas. Stewart	Toronto	60	180	“ 3	Jas. Stewart	
D. Mc'Kinnon	Crosshill	30	90	“ 2	D. Mc'Kinnon	
O. L. Richardson	Waterloo	30	90	“ 1	O. L. Richardson	
C. Whitman	Kitchener	60	180	“ 3	C. Whitman	

THE MINUTE BOOK

The shareholders in a company elect from their number a Board of Directors, and the Board of Directors in turn elect a President and appoint a Secretary. The secretary keeps a proper record of the proceedings at the meetings of the Board. The book in which such record is made is called the Minute

Book. If the bookkeeper is also secretary of the company, then the minute book will be in his charge; if not, he is not likely to have access to it. The president and secretary usually sign for the company, and they are then responsible for seeing that all disbursements are sanctioned by the Board of Directors.

THE STOCK LEDGER OR SHARE LEDGER

Paid up shares in a Company are private property and may be disposed of as such without affecting the capital of the company or its legal status. Hence in Joint Stock Books one capital account only is kept. Ownership of capital is recorded in a book called the Share Ledger. All transfers of ownership are posted to this book so that the account of each shareholder shows his ownership in capital of the company at any time.

This book is ordinarily made to serve a further purpose, namely, to show the amount a shareholder has paid on stock subscribed for and the balance remaining unpaid. See form page 119.

Transfers of shares are, when numerous, first entered in a transfer register. On the back of each stock certificate there is printed a form of assignment, thus.—

For value received . . . hereby sell, assign, and transfer unto	
. Shares	
of the Common Stock represented by the within Certificate, and do hereby irrevocably constitute and appoint Attorney, to transfer the said Stock on the books of the within named Corporation with full power of substitution in the premises.	
Dated 19	
In presence of	

The transferor completes and signs this form and turns in his certificate to the Company and a new certificate or certificates will be issued accordingly. If he cannot attend in person to sign the transfer register, he may enter the name of a Trust Company or other representative as his attorney, or he may leave the line blank in which case the secretary of the company may insert his own name and sign accordingly. For form of Transfer Register see page 119.

A company is also required to keep a register of shareholders and a register of directors. See forms below.

THE ONTARIO BISCUIT & CONFECTIONERY CO., LIMITED

REGISTER OF SHAREHOLDERS

Date	1	Name	Calling	Address	Remarks
June	1	D. W. Thompson	Manufacturer	Toronto	
"	1	Jas. Stewart	Manufacturer	Toronto	

THE ONTARIO BISCUIT & CONFECTIONERY CO., LIMITED

REGISTER OF DIRECTORS

Elected	1	Name	Calling	Address	Retired	Remarks
19—	1	D. W. Thompson	Manufacturer	Toronto		
"	1	Jas. Stewart	Manufacturer	Toronto		

Share Ledger. Form No. 1.

NAME *W. THOMPSON*
ADDRESS *TORONTO, ONTARIO*

CALLING MANUFACTURER

Date	Cert. Transfer No.	To, or from Whom	Stock			Bought			Balance		
			Folio	Shrs.	Cr. Amt of Stock	Pr. Paid Up	Shrs.	Cr. Amt of Stock	Pr. Paid Up	Shrs.	Cr. Amt of Stock
19	1										
June	1	Illustrat. Call No. 1, 40% Transfer to S. Packard	1	1							
**	6		1								
**	6	Transfer from S. Packard	1	20	20.00						
**	8		1								
**	10	Call No. 2, 60% Transfer from P. Moore	1	20	20.00						
		Transfer from P. Moore	1	20	20.00						

Share Ledger. Form No. 2.

NAME *W. THOMPSON*
ADDRESS *TORONTO, ONTARIO*

CALLING MANUFACTURER

Date	Particular	Cert. Transfer No.	Shares			Shares			Amount			Balance		
			Dr.	Cr.	Balance	Dr.	Cr.	Balance	Dr.	Cr.	Balance	Dr.	Cr.	Balance
19														
June	1	Illustrat. Call No. 1, 40% Transfer to S. Packard												
**	6	Call No. 2, 60% Transfer from P. Moore												
**	8													
**	10	Transfer from P. Moore												

Form of Transfer Book.

THE ONTARIO BISCUIT AND CONFECTIONERY COMPANY, LIMITED.

We, the undersigned owners and holders of shares in the Capital Stock of the above Company, for value received, do hereby, by our respective Attorneys duly appointed, respectively assign such shares of said Capital Stock as in the manner hereunder set forth:

No. of Transfer No.	Date	Conn. or Prod.	Cert. Serial No.	Name of Transferor	Pr.	Name of Transferee	Address	Cert. Issued	Cr. or Shares	No. or Power	Signature of Att'y
1	June	1	1	W. Thompson	1	S. Packard	Toronto	Pr.	1	1	W. Thompson
2	**	1	2	P. Moore	1	W. Thompson	Toronto	Pr.	1	1	P. Moore
3	**	1	3	P. Moore	1	W. Thompson	Toronto	Pr.	1	1	P. Moore
4	**	1	4	J. Sonnenfeld	1	R. W. Whitehead	Toronto	Pr.	1	1	J. Sonnenfeld

*Shares not fully paid up may not be transferred without the consent of the Directors. Consent is assumed and the illustration given merely to show the form of entry.

THE BOOKS OF ACCOUNT

Entries in the books of account of a Joint Stock Company differ from those in the books of a Partnership at the opening of the books and at distribution of profits; for the rest, the arrangement of the books and the entries therein will depend upon the character of the business.

Instead of a capital account for each member of the firm there is one capital account only for the Company. This account may represent their Authorized Capital, their Subscribed Capital, or their Paid-up Capital.

Since, however, the Authorized Capital represents neither capital supplied nor any obligation to supply it, this account is seldom, if ever, used, but either Subscribed Capital or Paid-up Capital may quite properly be used as the General Ledger account.

SUBSCRIBED CAPITAL STOCK AS THE GENERAL LEDGER ACCOUNT

In the illustrations following we shall use Subscribed Capital as the General Ledger account and later give the entries necessary for using Paid-up Capital account.

ILLUSTRATION No. 1.—The organization of a New Company, Toronto, Jan. 2, 19—. The Ontario Biscuit and Confectionery Company is organized with a capital of \$25000 in 250 shares of \$100 each. The organizers with their subscriptions are: D. W. Thompson, 70 shares; James Stewart, 60 shares; W. J. Gibson, 60 shares; D. McKinnon, 30 shares; O. L. Rogers, 30 shares. A first call of 50% is made and is paid in Cash. Make the necessary entries.

Entries are made at the time of *Subscription* and at the time of *Payment*.

1. At the time of Subscription,	
Jan. 2,	
Subscribers	25000
Subscribed Capital Stock ..	25000
For subscription as per mem- orandum of Agreement	
D. W. Thompson, 70 shares, 7000	
J. Stewart, 60 " 6000	
W. J. Gibson, 60 " 6000	
D. McKinnon, 30 " 3000	
O. L. Rogers, 30 " 3000	

2. At the time of Payment,	
Jan. 2,	
Cash	12500
Subscribers	12500
Call No. 1, 50% paid in Cash	
D. W. Thompson	3500
J. Stewart	3000
W. J. Gibson	3000
D. McKinnon	1500
O. L. Rogers	1500

Note.—This entry would be in the Cash Book.

An entry similar to No. 2 above would be made for each call. These entries would be posted to the General Ledger. The personal account items would be posted to the Share Ledger. The Capital Stock account would then show the total amount of stock subscribed, \$25000. The Subscribers account would show the amount of this unpaid, and the difference would correspond to the Paid-up Stock as shown by the Share Ledger.

ILLUSTRATION No. 2.—A Partnership re-organized as a Joint Stock Company, new books being used.

D. Hamill and R. Walker are partners in a wholesale grocery business and convert it into a Joint Stock Company under the name, The Hamill Grocery Co., Limited. The Authorized capital is \$25000, in 250 shares of \$100 each. The present net capital of the partnership is \$10000 as follows: Mdse. \$8000; Accounts Receivable, \$1500; Bills Receivable, \$1000; Accounts Payable, \$500; D. Hamill net capital,

\$7000; R. Walker net capital, \$3000. They are joined by J. Rhodes, H. Wilson, and B. Foster, who agreed to take 25 shares each and pay therefor in cash. An allowance of \$2500 is to be made for the goodwill of the business, \$1500 of which goes to Hamill and \$1000 to Walker. The Hamill Grocery Co., Limited, is then to take over the net assets and goodwill of the partnership, giving therefor \$500 in cash and the balance in fully paid up shares in the company.

The firm of Pearson Hunter & Co., accountants, have been engaged to put through the re-organization. To-day Jan. 2, 19—, they inform Hamill and Walker that the Letters Patent have been received and that they are ready to proceed. For the purpose of securing the Letters Patent, Messrs Pearson and Hunter, with three of their employees, Peters, Hall, and Jones, have subscribed for one share each. Make the entries.

1. *Entry for subscriptions for incorporation.*

Jan. 2

Subscribers	500
Subscribed Capital Stock..	500

As per Memo. of Agreement

Pearson, 1 share

100

Hunter, 1 "

100

Peters, 1 "

100

Hall, 1 "

100

Jones, 1 "

100

Jan. 2

2. Mdsr.	8000
Accts. Receivable	1500
Bills Receivable	1000
Goodwill	5500

Accts. Payable	500
Hamill and Walker.....	12500

For purchase of net Assets and

Goodwill of their business.

Jan. 2

3. Hamill and Walker	500
Cash	500

Cash paid as per Agreement.

4. *Hamill & Walker..... 12000*

Subscribed Capital Stock. 12000

*For 120 shares Capital Stock
issued as per Agreement.*

Jan. 2

5. *Cash* 7500

Subscribed Capital Stock... 7500

For stock issued as under :

J. Rhodes, 26 shares... 2500

H. Wilson, 25 " 2500

B. Foster, 25 " 2500

Jan. 2

6. *Cash* 500

Subscribers 500

Cash for shares :

Pearson, 1 share 100

Hunter, 1 " 100

Peters, 1 " 100

Hall, 1 " 100

Jones, 1 " 100

NOTE. The cheque given by the company to Hamill and Walker as part payment would be endorsed back to the company in payment of the organization shares. These shares, together with the 120, would then be allotted to Hamill and Walker in the proportion of their capitals, and the certificates would be issued accordingly. Or better, these shares would be issued to the original subscribers and at once transferred on the books to Hamill or Walker.

For exercise see page 126, No. 1, (a) 2, No. 2, (a) 2.

CLOSING THE PARTNERSHIP BOOKS

Since a set of new books was used by the Company, the books of the Partnership should be properly closed out showing the change.

The Journal entries for closing would be:

1. The adjustments in value should first be entered in this case for Goodwill.

Goodwill.....	2500
Hamill.....	1500
Walker.....	1000

For Goodwill as per agreement.

2. Close all asset accounts to Realization and Liquidation.

Realization and Liquidation.. 13000

Mdse.....	8000
Accounts Receivable.....	1500
Bills Receivable.....	1000
Goodwill	2500

To close Asset Accounts.

3. Close Liability Accounts to Realization and Liquidation.

Accounts Payable

Realization and Liquidation.. 500

To close Liability Account.

ILLUSTRATION No. 3. A Partnership reorganized as a Joint Stock Company, the Company continuing the books of the Partners.

The data of the previous illustration may be used. The Partnership books would show the standing of the business as before the agreement with the company was entered into.

Then to change the following entries would be necessary:

1. To adjust the standing.

Goodwill	2500
D. Hamill, Capital	1500
R. Walker, Capital	1000

For addition of Goodwill as per agreement.

2. For organization of the Company

Subscribers	500
Subscribed Capital Stock ..	500

As per agreement

Pearson, 1 share.....	100
Hunter, 1 "	100
Peters, 1 "	100
Hall, 1 "	100
Jones, 1 "	100

3. Exchange of Capital for Capital

Stock.

D. Hamill, Capital	8500
R. Walker, Capital	4000
Subscribed Capital Stock ..	12000
Cash	500

For Payment for Net Assets and

Goodwill as per agreement.

4. Exchange Net Assets for Shares.

Shares in Hamill Grocery Co... 12000	12000
--------------------------------------	-------

Realization and Liquidation 12000

Exchange of Net Assets for	
Shares in Hamill Grocery	

Co. as per agreement.

5. Cash	500
---------------	-----

Realization and Liquidation 500

Cash for balance of Net Assets	
--------------------------------	--

6. Hamill, Capital	8500
--------------------------	------

Walker, Capital	4000
-----------------------	------

Shares in Hamill GroceryCo. 12000

Cash

To close Capital Accounts.

NOTE.—When the firm decided to re-organize they prepared a statement and closed their books in the usual way. This final closing is merely for the purpose of putting on the books the adjustment and exchange of capital.

For exercise see page 126, No. 1 (a), No. 2 (a).

7. Cash	7500
---------------	------

Subscribed Capital Stock... 7500

For stock issued as under:

J. Rhodes, 25 shares....	2500
--------------------------	------

H. Wilson, 25 "	2500
-----------------------	------

B. Foster, 25 "	2500
-----------------------	------

8. Payment for organizers' shares.	
------------------------------------	--

Cash	500
------------	-----

Subscribers

Cash for organizers' shares	
-----------------------------	--

Pearson, 1 share	100
------------------------	-----

Hunter, 1 "	100
-------------------	-----

Peters, 1 "	100
-------------------	-----

Hall, 1 "	100
-----------------	-----

Jones, 1 "	100
------------------	-----

NOTE.—These shares would be paid for with the

cheque issued to Hamill and Walker and returned by them endorsed to the Company.

The shares would then be transferred on the Transfer Register and on the Share Ledger.

For exercise see page 126, No. 1 (b), 2.

No. 2 (b) 1, 2.

PAID-UP CAPITAL, THE GENERAL LEDGER ACCOUNT.—If Paid up Capital is to be used as the General General Ledger account the entry charging subscribers would be made at the time of the *call*, not at the time of *subscription*. The amount would be the amount of the call only. Other entries would be the same as when Subscribed Capital Stock is used.

AUTHORIZED CAPITAL STOCK—THE GENERAL LEDGER ACCOUNT.—If Authorized Capital Stock is to be used the first entry at subscription would be: Unissued Stock Dr., Subscribers Dr., Authorized Capital Stock Cr. Later subscriptions, Subscribers Dr.,/Unissued Stock Cr.

VALUATION OF ASSETS ON THE SALE OF A BUSINESS

Three distinct bases of valuation may be noted:

1. Original cost or sacrifice. —Cost to buy or make.
2. Cost of duplication or replacement. —Current price.
3. Capitalization at earning power.

The first and second may differ owing to the swing of prices. A conservative basis of valuation is the lower of these two. In the case of goods, investment securities and the like it is usually stated "cost or market price, whichever is lower." As to fixed assets the net value to be determined is the difference between cost and reserve for depreciation.

The third method is sometimes applied to the valuation of a business as a whole. Thus, if the annual profits amount to \$12000 and the current rate of interest is 6%, the capital value would be \$200,000. If this value is in excess of actual invested assets the difference must be made up by giving to some intangible asset such as patent, goodwill, franchise, etc., a fictitious value. When this is done and capital stock is issued accordingly, the stock is said to be *watered*.

ISSUE OF STOCK AT A PREMIUM

Whether at organization or at a later time, stock may be issued at a premium: 1. To strengthen the position of the business by creating a reserve. 2. As a means of charging new subscribers for a share in the prosperity of the business. The premium while of the nature of a profit to the business is not carried to Profit and Loss to be made available for dividends, but is first classified as Premium on Shares and is then carried over to reserve. It is a capital profit, not a revenue profit.

Suppose a company to issue 100 shares at 25% premium the entries would be:

1. <i>Subscribers Dr.</i>	<i>12500</i>	2. <i>Cash</i>	<i>12500</i>
<i>Share Premium</i>	<i>2500</i>	<i>Subscribers</i>	<i>12500</i>
<i>Capital Stock</i>	<i>10000</i>		

ISSUE OF STOCK AT A DISCOUNT

Generally shares may not be sold at less than par. In Ontario, mining stock may be so issued. Thus, suppose a mining company to issue 10000 shares, par value \$1, at 60 cents a share, the entries would be:

1. <i>Subscribers</i>	<i>6000</i>	2. <i>Cash</i>	<i>6000</i>
<i>Disc. off. Shares</i>	<i>4000</i>	<i>Subscribers</i>	<i>6000</i>
<i>Capital Stock</i>	<i>10000</i>		

The share discount should not be entered as an asset on the balance sheet, but should be shown as a deduction from capital. It may be left on the books as Goodwill is in company accounts, but it is perhaps better to write it off (a) Out of Reserve, or out of Capital. (b) Out of Profits, just as Preliminary expenses are written off,—spread over a number of years.

TREASURY STOCK

It sometimes happens, as in the case of a development company, that the capital stock issued is allotted to the promoters of the company in exchange for the property to be developed. To secure working capital the shareholders then donate to the company a certain number of shares to be sold to the public. Such shares are known as Treasury Stock. It is fully paid-up stock and may be put on the market at any price.

Any discount on such stock should be charged to the account for which the stock was donated. It would be held for the company by a trustee, and would be entered through the share ledger in his name.

ILLUSTRATION.—Holders of stock \$500000 donate 10% of their holdings to the company to provide funds for development.

Entries :

<i>1. Treasury Stock</i>	<i>50000</i>	||	<i>2. Cash</i>	<i>7500</i>
<i>Working Capital</i>	<i>50000</i>		<i>Working Capital</i>	<i>2500</i>
<i>For donation by Shareholders</i>			<i>Treasury Stock</i>	<i>10000</i>
			<i>For sale of Treasury Stock at 75</i>	

VARIOUS CLASSES OF SHARES

While most companies have only one class of stock, "Common" or "Ordinary" stock, there are those which have other classes as "Preference" stock ranked in degree as, "First," "Second," etc. Such stock may be preferred as to : 1. Dividends. 2. Priority of claim on assets. 3. Voting power. The claim for dividends up to the rate stipulated would only carry over from year to year if the stock were described as "Cumulative Preference." Liability for arrears of dividends on this should appear as a footnote to the balance sheet, or as a note in connection with the capital concerned.

Under both the Dominion Companies Act and the Ontario Companies Act, stock of no par value may now be issued. Such stock is fully paid up and non-assessable and all shares are of equal value.

FORFEITED SHARES

When a shareholder fails to pay a call in the manner provided, the directors may declare such shares forfeited. The forfeited shares become the property of the company and they may be cancelled or sold at such price as may be decided upon by the directors. The amount paid on such shares becomes a profit to the company, to be modified by any discount on these shares or any of them resold. The profit may be closed to Loss and Gain account or may be carried to reserve.

EXAMPLE.—Adam Smith subscribed for 100 shares in Imperial Factories Limited, par value \$100. He paid the first call of 20 but failed to pay the second call of 20%, and his stock was declared forfeited. Later 80 shares of this stock were sold to H. Brown as 40% paid up on the payment of \$30 a share. The remaining 20 shares were cancelled.

Entries :

1. Subscribers	10000	4. Subscribers	7200
Capital Stock.....	10000	Profit on Forfeited Shares.....	800
2. Cash	20000	Forfeited Shares	8000
Subscribers	20000	5. Cash	7200
3. Forfeited Shares	10000	Subscribers	7200
Subscribers	8000	6. Capital Stock	2000
Profit on Forfeited Shares..	2000	Forfeited Shares	2000

ORGANIZATION EXPENSES

Especially upon the formation of a large company certain expenses are likely to arise such as will not occur again, e.g. Fee for Charter, Promoter's fee, Preparation of Prospectus, Advertising, Commission, etc. connected with the sale of shares, clerical assistance.

These expenses have no special reference to the first year's operations and could not fairly be charged against the first year's profits. They should be entered as "Organization Expenses" and should be written off out of profits during the first years of the company's life. In the meantime they appear as an asset on the books.

INCREASE OF CAPITAL.—After 90% of the authorized capital has been subscribed and 50% paid thereon, steps may be taken to increase the capital of a company. The usual entries made upon the issue of stock would be necessary.

REDUCTION OF CAPITAL.—The capital of a company may be reduced :

- i. By reducing the liability on unpaid shares.
- ii. By cancelling share capital lost in the course of business.
- iii. By paying off any share capital in excess of need.

The second method above is the most common and an example may be given. A Company having a capital of 250000 has an accumulated debit to Profit and Loss amounting to \$75000. It is decided to reduce the capital stock to \$150000. What entries should be made?

1. Capital Stock Dr.....	100000	2. Reserve, Dr	75000
To Reserve.....	100000	To Profit and Loss	75000
For reduction of Capital as per Supplementary Letters Patent.		To close Profit and Loss Account.	

The old certificates held by shareholders should be returned to the company and new ones for the decreased amounts issued in place thereof. Each shareholder should be charged pro rata in the Share Ledger with his share of the reduction. Fractional parts of shares arising should be transferred to a trustee for the company till disposed of. The proceeds should be distributed to the shareholders concerned.

APPROPRIATION OF PROFITS

In company accounts Profits are not carried to the proprietors' accounts as they are in Partnership accounts, but they are disposed of as may be determined by the directors. They may be used among other things. 1. To provide dividends for shareholders. Profits actually paid out to them in the proportion of shares held. 2. To create a reserve which may be utilized for the purpose of equalizing the rate of dividend year by year. 3. To create a reserve to strengthen the position of the Company. 4. To write off Goodwill, organization expenses, etc.

The net profit for the year would first be found in the usual way, making all necessary allowance for loss by bad debts, depreciation of buildings, furniture, etc., and this balance of net profit would be carried down to an Appropriation of Profits account. This would then be distributed by the entry.

Appropriation of Profits Dr.	
Dividend No. 1	Cr.
Reserve	Cr.
Organization Expenses	Cr.
Etc.	

The remaining balance would be brought down in Appropriation of Profits account.

The dividend might most conveniently be transferred to a separate bank account and cheques drawn on this account to pay shareholders.

Dividend No. 1	Dr.
Bank	Cr.

STOCK DIVIDEND

A dividend is sometimes paid by an issue of Capital Stock instead of by a payment in cash. The dividend would be provided for in the usual way. The entry for payment would become Dividend No. 1 Dr.,/Capital Stock Cr.

EXERCISE ON OPENING JOINT STOCK COMPANIES' BOOKS

1. J. Gray and T. Hall own a Dry Goods business with Stock, \$7000; Notes Receivable, \$600; Accounts Receivable, \$1200; Accounts Payable, \$800. Of the net capital, \$5000 belongs to Gray, \$3000 to Hall. They organize a Joint Stock Company, with capital \$14500 in 145 shares of \$100 each. They are joined by R. Scott, J. Plant and C. Doyle, who take 20 shares each, agreeing to pay for them in cash. The goodwill of the business is valued at \$1200, and the partners agree to a reduction of 10% in the value placed on their stock of goods; fully paid-up shares are then to be issued for the value of the business as thus adjusted.

If Gray shares $\frac{3}{5}$ and Hall $\frac{2}{5}$ in all gains and losses, make the necessary entries.

- (a) 1. For closing the old books of the firm.
- 2. For opening a new set of books for the company.
- (b) 1. For adjusting the capital between Gray and Hall in the old books.
- 2. For the conversion into a company using the old books.

2. W. Ross, R. Score and C. Rogers own a Grocery business, with capital \$20000, consisting of Stock, \$15000; Furniture and Fixtures, \$500; Notes on hand, \$1800; Accounts Receivable, \$6700; Accounts Payable, \$4000, of which Ross owns \$8000, Score \$8000, Rogers \$4000. They share gains and losses in proportion to capital. They organize a Joint Stock Company, with capital \$25000 in 250 shares of \$100 each, and take in two of their salesmen as shareholders, with 20 shares each, to be paid for in cash. The goodwill of the business is valued at \$1500, 2% is allowed on Accounts Receivable and Bills Receivable for bad debts, 5% depreciation on Furniture and Fixtures, and 10% on Stock. When this adjustment has been made, fully paid-up shares are to be issued for the net capital of the partners, cash being given for the fractional part of a share in each case.

- (a) 1. Make the entry for closing the books.
- 2. Make the entry for opening the new books of the company.
- (b) 1. Make the entry for adjusting the capital of the partners in the old books.
- 2. Make the entry for changing the books.
- 3. G. Slater, H. Sims, J. Taylor, R. Underwood and A. Wallace form a Real Estate Company, with Capital Stock \$250000, in 25000 shares of \$10 each. They already have equal interests in a property valued at \$65000, and they purchase from J. Weir an adjoining property valued at \$25000,

which is to be paid for in fully paid shares of the company. They take to themselves 13000 shares, half of which they pay for in organization expenses; the other half by the property they hold and which they now transfer by deed to the company. The remaining shares are unsold.

Three months later, to secure working capital, they sell 2000 shares at \$8 a share.

At the end of the year they declare a dividend of 5% and pay it in cash.

Next year they sell 2500 shares at \$15 a share.

At the end of the year they again declare a dividend of 5%, and set aside \$5000 as a reserve fund and \$5000 to reduce organization expenses.

Make the Journal entries necessary to record the above transactions.

4. The firm of Rogers and Cummings, in which the partners share equally, was incorporated as a Joint Stock Company with an authorized capital of \$200000, consisting of 2000 shares of \$100 each. The resources of the partnership were as follows: Goods on hand, \$30000; Notes Receivable, \$3600; Accounts Receivable, \$7000; Real Estate, \$20000. The liabilities were as follows: Notes Payable, \$3000. It is agreed that each partner shall receive fully paid up stock for the amount of his present worth, after allowing a depreciation of 10% on bills receivable and accounts receivable for possible loss in collecting. The amount due each partner for any portion of a share, to be paid in cash. The following shares were subscribed and a first call of 50% was paid in cash: T. R. Mann, 150; A. D. Robb, 300; W. Horne, 36.

(a) Give the necessary entries to change the present books of the partnership.

(b) Give the necessary entries to open an entirely new set of books for the company.

5. A joint stock company is formed to manufacture an article for which they have secured a patent. The capital is \$150000 in shares of \$100 each. The inventor gets \$40000 paid up stock for his patent, the promoter gets \$10000 paid up stock for his services, half the remainder of the stock is subscribed and paid for in cash. Later in the year half the remaining stock is sold at \$110. At the end of the year the profits are \$18000. The directors declare a dividend of 6% on capital, and distribute \$1000 of profit as a bonus to their employees. The rest of the profits are set aside as a reserve.

Make the necessary Journal entries.

6. Henry Adams owns a flour mill. He disposes of it to the Adams Milling Co., which has been organized with a capital of \$60000, in 600 shares of \$100 each. The property includes Land, \$25000; Buildings, \$8200; Machinery, \$15200; Flour, etc., on hand, \$9500; Office Furniture, \$250. For the above assets, Adams is to receive 500 fully paid-up shares, and the company assumes a mortgage of \$8150 on the land mentioned above.

The other shareholders are C. Graham, S. Green, K. Mann, A. M. Smith, and D. Watson, who subscribe for 20 shares each, and pay for them in cash.

Make the necessary Journal entries for opening the books of the company.

7. The Ontario Furniture Co., Limited, is organized with an authorized capital of \$150000, in 1500 shares of \$100 each. The company takes over the business of T. Brown & Co., whose standing is as follows: Assets, Cash, \$2200; Furniture on hand, \$36000; Plant, \$25400; Real Estate, \$18400; Accounts Receivable, \$10280; Bills Receivable, \$9620; Furniture and Fixtures, \$1900. Liabilities: Bank overdraft, \$7400; Notes Payable, \$6300; Accounts Payable, \$1200; Reserve for Bad Debts, \$1800. T. Brown's Capital, \$53250; D. Houston's Capital, \$16925; R. Mason's Capital, \$13925.

The three partners are to receive fully paid up stock for the amount of their capital, the fractional part of a share being paid for in cash in each case. J. H. Miller, who has assisted in organizing the company, is to have 50 shares for his services. Of the remaining stock, 300 shares are sold at 110 and paid for in cash, and the balance is held for sale at a future date.

Make the entries necessary for opening the new books of the company.

MANUFACTURING ACCOUNTS

Manufacturing accounts differ from trading accounts mainly in the record of the items which enter into the cost of the goods up to the point where they are ready to be placed on the market.

In a trading business we found these items to be such as :

1. The invoice price of the goods.	3. Carriage inwards.
2. Any additional charges for boxes, packing, etc.	4. Duty.
	5. Marine insurance.

In a manufacturing business we find items such as :

1. Raw material.	4. Tools.
2. Wages.	5. Freight.
3. Plant and machinery.	6. Duty, etc.

To record these satisfactorily, it will be necessary to adjust the accounts and other records.

RAW MATERIAL

The purchases may be altogether of raw material, or they may be partly of raw material and partly of manufactured goods. In any case, a Material account should be kept in the Ledger, and a Material Purchase book should be kept, either as a separate book or as a special column in the General Purchase book.

Freight and Duty may be recorded in separate accounts, which should be closed to the Material account at the end of the year, or these accounts may be dispensed with by entering the amount of freight and duty upon the face of the invoice before making the entry in the Purchase book. In case the Purchase book has special columns for departments, the freight and duty should be entered on the invoice properly distributed to the departments. A rubber stamp may be used to facilitate this work.

The Material account will be charged with the material on hand at beginning, and with the purchase of material, including freight and duty, either directly or through separate accounts. It will be credited with rebates, allowances, and returns, and at closing with the inventory of material at the end of the year. The difference between the two sides of the account will give the cost of material used, and this amount should be entered to close the account, and then carried down to the debit side of Manufacturing account.

MANUFACTURING ACCOUNT

The Manufacturing account will be charged with the cost of material used, as shown in the Material account; the wages of workmen, foremen and superintendents, as shown in the Wages accounts, and with such items as may be classed as factory expenses—namely, heat, light and power, taxes on factory, depreciation of factory, tools, and machinery, rent of factory.

This account will then show the factory cost of the goods manufactured, and it should be closed into the Trading account.

TRADING ACCOUNT

The Trading account will be debited with the value of manufactured goods on hand at beginning; the cost of goods manufactured, as shown by the Manufacturing account; the cost of manufactured goods purchased during the year, as shown by the purchase book, together with freight, duty, and other charges on such goods, and with rebates and allowances off sales. It will be credited with the amount of the sales for the year, and with allowances, rebates, and returns from purchases. At closing, it will be credited with the inventory of manufactured goods on hand at the end of the year, and it will then be closed with the gross profits on trading, which amount will be transferred to the Loss and Gain account.

The Trading account may be divided into three sections: Purchases, Sales, and Inventory, as was done in the accounts of a trading business. Only by so doing can Net Purchases, Net Sales, and cost of the goods sold, be shown.

WAGES

The record for wages consists of two parts, the Time Sheet and the Pay Roll, and the method of dealing with these varies greatly with the size and character of the business. Three typical methods may be mentioned.

A **Time Book** is used. Whether a small book in the hands of the foreman of each department, or a general one, entered up by a time clerk, is used, the principle is the same. The time book, which records the hours of work of each employee for each day, is totalled at the end of the week or pay period, and the total for each employee is transferred to the pay roll and extended at his rate of wages.

A **Time Card** is used. Each employee is given a card covering the time between dates of payment, and his time each day is registered on the card, frequently by means of a Time clock. From these cards the time for the week is transferred to the pay roll.

In some large factories a clock, such as the "Dey" **Time Register**, is used, which, in addition to recording the times of the arrival and departure of each employee, produces at the end of the week a wages sheet which may be totalled and extended at the rates of wages paid.

When it is necessary to find cost by the job or contract, the record must show not only the workman's time, but also what job or contract he was employed upon, and in some instances the nature of the work as well. In such cases the card is the convenient method of record, and it may be necessary to use both sides, as shown in the illustration, page 131, also page 151.

Form of Time Book

No.	NAME	OCCUPATION	BISCUIT DEPARTMENT		Jas. Robertson, Foreman
			Time	Rate	
	Dixon, R.	-			
	Elliott, G.	-			
	Wright, R.	-			
	Davis, P.	-			
	Jones, T.	-			
	Ballard, P.	-			

TIME CARD

Week ending		19	
No.			
Name		...	
DAY			
	IN	LOST OR OVERTIME	OUT
F.	A. M.		
	P. M.		
S.	A. M.		
	P. M.		
S.	A. M.		
	P. M.		
M.	A. M.		
	P. M.		
T.	A. M.		
	P. M.		
W.	A. M.		
	P. M.		
T.	A. M.		
	P. M.		
Regular time		Hrs.	
Overtime		Hrs.	
Total		Hrs.	
Rate	...	Total Wages	

JOB CARD

No.		Job Order No.	
Time allowed		Wages @	
Time taken		Total Wages	
DAY			
	IN	LOST OR OVERTIME	OUT
F.	A. M.		
	P. M.		
S.	A. M.		
	P. M.		
S.	A. M.		
	P. M.		
M.	A. M.		
	P. M.		
T.	A. M.		
	P. M.		
W.	A. M.		
	P. M.		
T.	A. M.		
	P. M.		
Name			
Week ending			
Foreman's initials			

To secure a record of the nature of the work, as well as the time occupied, the names of the different processes are printed on the back of the card, and the one to which the time on the face refers is entered up.

REVERSE SIDE OF JOB CARD

OPERATION	NO.	PARTS
Assembling
Boring
Brazing
Buffing
Centering
Cutting
Drilling
Erecting
Filing
Forging
Grinding
Inserting
Loading
Marking off
Milling
Painting
Pattern Making
Planing
Polishing
Riveting
Shaping
Testing

THE ONTARIO BISCUIT COMPANY, LIMITED

Pay Roll for the half-month ending

No.	DEPT.	NAME	OCCUPATION	TIME	RATE OF WAGES		TOTAL	REMARKS
					HR.	Wk.		
1	GEN.	Stewart	Accountant			Mo.		
		Smith, Wm.	Assistant			Mo.		
		Dudson, Mary	Stenographer			Wk.		
		GEN. WAGES	Dr.					
2	BISCUIT	Robertson, Jas.	Foreman			Mo.		
		Dixon, R.						
		Elliott, G.						
		Wright, R.						
		Davis, P.						
		Jones, T.						
		Ballard, P.						
3	CONF.	BISCUIT WAGES	Dr.					
		Barker, Henry	Foreman					
		Cameron, C.						
		Lewis, R.						
4	CONF.	Forbes, J.						
		Hall, K.						
		Howell, J. H.						
		Rhodes, T.						
5	SELLING	CONF. WAGES	Dr.					
		Fraser, J.	Shipper					
		BOX AND SHIPPING	Dr.					
		SELLING WAGES	Dr.					
6	SELLING	WAGES CHEQUE	Cash Cr.					

The wages are posted directly from the cash book to the wages account or accounts in the ledger and these accounts are closed to Manufacturing account if they represent wages of manufacturing, and to the Profit and Loss account if they represent wages of selling or administration.

PLANT ACCOUNT

This account will be charged with the cost of Building and Machinery used in manufacturing, and with any capital additions made thereto. It will be credited with the value of the buildings and machinery at the close of the period, a certain percentage usually being deducted for depreciation by wear and use. The account should then be closed to Manufacturing account. In case the building or machinery or both are rented, the rent should be charged to Manufacturing.

TOOLS

If a large number of tools are used, it is better to keep a separate account, and close it to Manufacturing account.

RESERVES

The source of all reserves is profits. This does not mean that we find net profits before we begin to set aside any amounts as reserves. Reserves are of various kinds and are provided for in various ways and at various stages of the work. Careful attention should be given to the meaning of terms used.

1. SURPLUS. The surplus is the sum by which the assets exceed the liabilities and the paid up capital.

2. RESERVE. A reserve is a sum set aside out of profits for some specific purpose.

(a) A reserve is not necessarily a surplus. Thus a reserve for depreciation of buildings may be only sufficient to cover actual depreciation. Such a reserve is merely a charge against revenue sufficient to cover actual loss by use of the buildings. Similarly a reserve for bad debts is simply a charge against revenue sufficient to cover anticipated losses by failure of customers.

(b) A true reserve is an available surplus, that is, it can be got at when wanted. Every reserve, shown in a reserve account is not a true reserve. It may not be *i.* Real. *ii.* Available. Thus in the following statement:—

ASSETS	77500	LIABILITIES
Property	77500	Capital
Furniture	500	Debentures
		Bank overdraft
		Reserve Fund.....
		1000

The nominal reserve here represents at most only a slight reduction in the Bank overdraft.

It is not real, nor is it available, for the assets are all fixed.

(c) A secret or hidden reserve is sometimes created by carrying assets at less than actual value or setting aside a reserve which much more than covers depreciation. Such a reserve is not favoured by accountants.

- i.* It prevents a fair statement of standing.
- ii.* It affects the amount of dividends and the price of shares usually unfairly, for it is an unknown quantity.
- iii.* It may be set aside to provide for special losses which are hidden.

(d) When and how created.

Assets used by the business suffer loss by reason of such use. Repairs and renewals are, of course, charged as expenses and are paid for out of the year's income. But in addition to this the asset itself will, in the course of time, have to be replaced. The cost of replacement should be spread over the life of the asset. This is done by charging against each year's revenue such an amount as will provide for the replacement of the asset at the expiration of its life of service. The amount is set aside in a Reserve for Depreciation account. Thus, depreciation of Plant should be entered Manufacture Overhead Dr.,/Reserve for Depreciation of Plant Cr., or Manufacture Expense Dr.,/Plant Account Cr.

In the same way accounts arising out of the year's trading may not be collected in full. The loss should be borne by the year which gave rise to the accounts. Hence, a reserve to meet such possible loss is charged against the year's income and set aside in a Reserve for Bad Debts account. Journal entry: Administration Expense Dr., Reserve for Bad Debts Cr.

Similarly there may be reserve for other contingencies which will have to be provided for, but the amount of which is not known, as accidents, legal charges, and the like.

All such reserves should appear in the expenses of the year and be charged against revenue. Where possible they should appear in the balance sheet as a deduction from the value of the asset to which they relate.

Other reserves are set aside :

- i. For the equalization of dividends.
- ii. For the accumulation of capital.
- iii. To meet bonds accruing due at some future date.

Such reserves are not chargeable as expenses for any year. They are appropriations of profits—accumulations of capital, ear-marked for specific purposes.

Such reserves are entered: Appropriation of Profits Dr.,/Reserve for _____ Cr.

3. RESERVE FUNDS. Reserves set aside to pay bonds accruing due or to replace buildings, machinery, and the like, should be not only real but available. For this purpose some asset or assets should be earmarked to correspond with the reserve. Thus a Sinking Fund Reserve is created to provide for payment of bonds. Cash should be invested in securities, or it should be deposited in an account which will accumulate year by year as the Reserve accumulates, so that there is on the books a Sinking Fund account to correspond with the Sinking Fund Reserve. The entry for the accumulation of interest on such an account would be :

Sinking Fund Asset Dr.,/Sinking Fund Reserve Cr.

Entry for setting aside the reserve—Appropriation of Profits Dr., Sinking Fund Reserve Cr.

Entry for earmarking the asset—Sinking Fund Asset Dr.,/Bank Cr.

DEPRECIATION

Depreciation is a term used in accountancy to represent the shrinkage in value of an asset. It may be due to such causes as :

1. Use and wear of the asset, as buildings, machinery, etc.
2. The mere passage of time as a leasehold.
3. Obsolescence, as when a new device or a new method replaces an old one.
4. Inadequacy.—Heavier and better machinery may require more power, and a more substantial building.

Repairs and renewals must in any case be charged against the year's revenue. But in addition to this provision must be made to replace the asset when it can no longer be used. A machine must be kept up to a fair degree of efficiency or it cannot stand up against competition. It may have a scrap value when it must be discarded. Both the scrap value and the probable life of the asset enter into the amount of reserve to be set aside to cover depreciation. Further in considering the life, the possibility of obsolescence and of inadequacy must be considered.

On the balance sheet depreciation should be shown as a deduction from the asset, but on the books it may be shown either :

- (a) In the same account with the asset, giving a reducing value year by year.
- (b) In a separate account showing the accumulation of the reserve. This method shows the capital value of the asset as acquired, and the corresponding growth of the reserve in a way that makes it very easy to check them, whatever method is used for calculation of depreciation. The capital value may, of course, be increased by additions, or extensions, but only if they are of such extent as to increase the productive capacity of the asset.

Various methods of calculating depreciation have been adopted :

1. Fixed percentage basis.

- a. A flat rate covering the life of the plant, *e.g.* life of plant, 10 years. Scrap value, zero. The rate would be 10% per year. This is sometimes referred to as the "Straight line method."
- b. A reducing balance method. The life of the plant and the scrap value are estimated, then such a percentage would be struck as taken on the reducing balance year by year would reduce cost to scrap value in the life of the asset.
2. **SINKING FUND METHOD.** In this method such an amount is set aside each year as would at a given rate of interest accumulate during the life of the asset to the total depreciation. This method is most convenient when a fund is being accumulated to replace the asset.
3. **PRODUCTION METHOD.** This method applies particularly to machinery, and especially to such machinery as may be expected to perform a certain number of operations, or turn out a certain number of units. The total depreciation would be spread over the number of units or operations as the case might be.

DEFERRED AND ACCRUED ITEMS

Deferred charges such as rent, and insurance paid in advance, and accrued items such as interest on mortgage, and on interest bearing bills have already been dealt with. Two aspects of such items require further consideration.

1. In closing the books these items have not been journalized. They have been entered as balances in the respective accounts and brought below the ruling to continue the work of the next period.

Some prefer to journalize these items. They provide for this by opening in the Ledger an account for "Accrued Assets" and one for "Accrued Liabilities." Since all such items must be either assets or liabilities, these two accounts will provide for any that may arise. Entries are then made for closing:

For Asset Items			For Liability Items		
Accrued Assets	-	Dr.	Salaries	-	Dr.
Rent	-	Cr.	Interest and Discount	-	Dr.
Insurance	-	Cr.	Accrued Liabilities	-	Cr.
Etc.					

After the closing, these items are brought back to the accounts to which they belong by reversing the above entries :

For Asset Items			For Liability Items		
Rent	-	Dr.	Accrued Liabilities	-	Dr.
Insurance	-	Dr.	Salaries	-	Cr.
Accrued Assets	-	Cr.	Interest and Discount	-	Cr.

The accrued Assets and Liabilities accounts will then be closed out.

2. Two accounts may be carried on the books for each of these accounts, then the above accrued items accounts would not be necessary.

Each such item would have a revenue account and an Asset and Liability account on the Ledger. Thus, when the insurance premium for the year is paid, it would be entered: Insurance Unearned Dr., Bank Cr. Then month by month the expired insurance would be written off: Insurance Dr., Insurance Unearned Cr. The Insurance account would thus show at the end of any month the cost of insurance to date, and the Insurance Unearned account would show the amount of insurance paid in advance. Other items would be similarly treated.

FINANCIAL STATEMENT FOR A MANUFACTURING BUSINESS

In a manufacturing business goods are first made and then sold. The statement should be so arranged as to show first, the several factors in the cost of making the goods, then the Gross Profit by trading, and this would be based on the factory cost. The Profit and Loss, and Appropriation accounts should follow in order.

One statement may be made to include all the data down to Trading, but it would have to be divided into sections to show factors in cost. It has been thought better to divide into separate accounts, which may be combined as desired. The Ledger ruling is used for the sake of compactness.

MATERIAL ACCOUNT

<i>Material on hand Jan. 1</i>	5450	<i>Material on hand Dec. 31</i>	3870
<i>Purchases</i>	19,100	<i>Material used</i>	21,160
<i>Add Freight-in</i>	280		
	<hr/>		
	25,030		25,030

MANUFACTURING ACCOUNT

<i>Material used</i>	21160	<i>Goods in Process Dec. 31</i>	2600
<i>Wages paid</i>	3285	<i>Prime Cost Goods Manufactured</i>	54260
<i>unpaid</i>	215		
	33200		
<i>Goods in Process Jan. 1</i>	2500		
	56860		56860
<i>Prime Cost Goods Manufactured</i>	54260	<i>Factory Cost Goods Manufactured</i>	65865
<i>Depreciation Buildings</i>	345		
<i>Plant</i>	450		
<i>Repairs and Renewals</i>	2000		
<i>Superintendence, Factory</i>	2900		
<i>Heat, Light, and Power</i>	3850		
	11605		
	65865		65865

TRADING ACCOUNT

<i>Cost Goods Manufactured</i>	65865	<i>Sales for the year</i>	93975
<i>Finished Goods, Jan. 1</i>	14960	<i>Less Returns</i>	285
	80825		
<i>Finished Goods Dec. 31</i>	20000	<i>Net Sales</i>	93690
<i>Cost Goods Sold</i>	60825		
<i>Gross Profits Trading</i>	32865		
	93690		93690

PROFIT AND LOSS ACCOUNT

<i>Selling Expenses:</i>		<i>Gross Profits Trading</i>		
Freight-out	790			32865
Travelling Expenses	4780			
Salesmen's Commission	2975			
	<u>8545</u>			
<i>Administration and General:</i>				
Insurance	60			
Taxes	460			
Office Salaries	7000			
Office Expenses	2000			
	<u>9520</u>			
<i>Net Operating Profit</i>	<u>14800</u>			
	<u>32865</u>			<u>32865</u>
<i>Discount off Sales</i>	1670			
<i>Interest on Mortgage</i>	1000			
<i>Depreciation of Bonds</i>	500			
<i>Net Profit for year</i>	<u>14640</u>			
	<u>17810</u>			<u>17810</u>

APPROPRIATION OF PROFITS

<i>Dividend No. 1 8%</i>	8000	<i>Balance Profit and Loss</i>		2000
<i>Carried to Reserve</i>	6000	<i>Net Profit for year</i>		14640
<i>Balance Down</i>	<u>2640</u>			
	<u>16640</u>			<u>16640</u>

BALANCE SHEET

<i>ASSETS</i>		<i>LIABILITIES</i>	
<i>Cash</i>	<u>13425</u>	<i>Accounts Payable</i>	
<i>Accounts Receivable</i>	<u>18760</u>	<i>Accrued Wages</i>	
	<u>32185</u>		
<i>Material</i>	3870	<i>Current Liabilities</i>	
<i>Goods in Process</i>	2900	<i>Mortgage Payable</i>	
<i>Finished Goods</i>	<u>20000</u>	<i>Capital Stock</i>	100000
	<u>26470</u>	<i>Dividend No. 1</i>	8000
<i>Current Assets</i>	58655	<i>Reserve</i>	14000
<i>Insurance Prepaid</i>	60	<i>Balance Profit and Loss</i>	2640
<i>Investment Stock</i>	<u>10600</u>		
<i>Investment Bonds</i>	4500	<i>Liabilities to Shareholders</i>	124640
<i>Less Reserve</i>	500		
	<u>14600</u>		
<i>Furniture</i>	550		
<i>Tools</i>	1000		
<i>Machinery Less Depreciation</i>	3500		
<i>Buildings</i>	<u>9140</u>		
	<u>12640</u>		
<i>Real Estate</i>	78000		
	<u>165505</u>		

From a statement prepared as in the preceding form a summary of the factors of cost entering into the year's output may be made and the relations of the amounts shown. The data is commonly summarized in a form similar to that shown below and known as a cost formula. The overhead—“Factory” and “General”—is expressed as a percentage of wages cost and factory cost respectively. The profit is expressed as a percentage of complete cost. These percentages may be used in finding the cost of an item of output.

Other bases of calculation may be used. They will be considered under Cost Accounting.

		<i>Selling Price</i>		
		\$99830		
		<i>Complete Cost</i>		
		\$85030		
		<i>Factory Cost</i>		
		\$66965		
		<i>Prime Cost</i>		
		\$54960		
<i>Material</i>	<i>Labor</i>	<i>Factory Expense</i>	<i>General Expense</i>	<i>Profit</i>
\$21160	\$33200	<i>Manuf'g Overhead</i> \$11605 <u>34.955% of Labor</u>	<i>General Overhead</i> \$18065 <u>26.977% of Factory Cost</u>	\$14800 <u>17.4% of Complete Cost</u>

to this

EXERCISE

1. Following is the Trial Balance taken from the books of Dominion Motors Limited, at Dec. 31, 19—.

DEBIT BALANCE : Material Jan. 1, \$9950; Freight and Duty (Material), \$670; Purchases (Material), \$22700; Labor, \$14500; Power, \$4750; Insurance (Factory), \$600; Repairs, \$550; General Factory Expense, \$220; Finished Goods, Jan. 1, \$750; Rebates off Sales, \$325; Freight-out, \$1275; Salesmen's Salaries, \$3750; Office Salaries, \$5840; Advertising, \$195; Insurance (Office), \$175; Delivery Expenses, \$560; Discount off Sales, \$1460; General Office Expenses, \$585; Interest and Discount, \$25; Office Furniture, \$1375; Bad Debts, \$260; Accounts Receivable \$10650; Bills Receivable, \$1975; Bank, \$15750; Machinery, \$15000; Land and Building (Factory), \$9500.

CREDIT BALANCES : Reserve for Depreciation (Buildings and Machinery), \$2550; Sales, \$66325; Discount off Purchases, \$680; Reserve for Bad Debts, \$400; Accounts Payable, \$6680; Bills Payable, \$2940; Capital Stock, \$50000; Reserve, \$1815.

INVENTORIES : Material, \$10000; Finished Goods, \$8500; Insurance Prepaid Factory, \$150; Office, \$25; Wages Accrued, \$250; Office Furniture, \$1000; Salaries Accrued, Office, \$150; Salesmen, \$70; Depreciation of Buildings $5\frac{1}{2}\%$ of Machinery $10\frac{1}{2}\%$. Write off Accounts Receivable as bad, \$250, then carry forward a reserve equal to $3\frac{1}{2}\%$ of Accounts Receivable and Bills Receivable.

Provide for a dividend of 6% and carry \$1500 to Reserve.

Prepare the Financial Statement.

Prepare the Cost Formula.

SET VI

BISCUIT AND CONFECTIONERY MANUFACTURING

SPECIAL FEATURES. Books and Accounts incident to a Manufacturing Business. The conversion of a partnership into a Joint Stock Company.

INSTRUCTIONS

(a) **Books to be used.**—Purchase Book, Sales Book, Cash Book, Bill Book, Journal, all as principal books; General Ledger, Purchase Ledger, Sales Ledger, Stock Ledger, Time Sheet, Pay Roll.

(b) The Purchase book for this set should have a special column for Freight, and one for each of the departments, Biscuit and Confectionery. Distribute the freight to the departments, giving one line to each freight bill paid. It will then be posted to the Material accounts, with the value of the material. Post it also in total to the credit of Freight account in the General Ledger. Post to the debit side of the Freight account from the Cash Book. By posting in this way, the freight is both entered through the Ledger, in a separate account, and checked. Pay all freight bills as received.

(c) The Sales Book should be provided with columns for the departments.

(d) Cash Book. This book should be ruled as in the illustration, pages 96-97. Use a Petty Cash Book, making all cash payments out of Petty Cash.

(e) The Time Sheet should be completed day by day, and the Pay Roll at the middle and end of the month. Separate accounts must be kept for "Office Salaries," "Biscuit Wages," "Confectionery Wages," "Salesmen's Wages." The shipper's wages should be posted to "Box and Shipping" account, which should show the total shipping expenses for the month.

(f) Either keep five accounts for the Manufacturing in each department ("Biscuit Material," Biscuit Manufacturing," "Biscuit Purchases," "Biscuit Sales," "Biscuit Inventory," and the corresponding accounts for the Confectionery).

Or combine the Purchase, Sales, and Inventory in a Trading account.

(g) Keep two Cash Discount accounts, for "Discounts off Purchases" and "Discount off Sales," and close to Profit and Loss account.

(h) Either write up the Expense Analysis sheet each week. Post in total to the Expense account from the cash book. Do not distribute to subordinate accounts in the Ledger at the end of the month.

(i) Or keep accounts in the Ledger for the necessary divisions of Expense account, and close them to Loss and Gain account.

(j) Enter rebates through the Journal, and post them directly to the proper purchases and sales account.

DIRECTORY

Abbott, R., Toronto.
Beck, J., Woodstock.
Boyd, W. R., Belleville.
California Fruit Co., The, San Francisco
Curtis, H., Stratford.
Davidson & Co., T., Toronto
Gage, A. W., Toronto.
Goldie Milling Co., The, Montreal.
Gordon King & Co., Montreal.
Graham, R., Kingston.
Hayes, J., Guelph.
Morrison, G., Prescott.

McConnell, H., Kitchener.
McDougall, J. & Co., Owen Sound.
Riddell, W. J., Toronto.
Rogers, E., Galt.
Rowe, R., Toronto.
Sanford Bros., Toronto.
Standard Refining Co., The, Montreal.
Stewart, B., Ottawa.
Turner Co., The Orris, Peterborough.
Walker, E., Collingwood.
Wilkinson Box Co., The, Toronto.
All others, Toronto.

LEDGER LINES

Stock Ledger, 1 page, 8 accounts; Purchase Ledger, 2 pages, 4 accounts each; Sales Ledger, 5 pages, 4 accounts each; General Ledger. Arrange the accounts in the following order: Asset Accounts; Liability Accounts, including Capital Stock; Manufacturing and related accounts; Expense and related accounts; other accounts. Allow $\frac{1}{2}$ page for each and transfer when necessary.

MEMORANDA OF TRANSACTIONS

Toronto, May 1, 19—. The firm of Thompson & Brown, Toronto, Ont., consisting of W. Thompson and H. Brown, partners in a Biscuit Manufacturing business, decides to organize under the Ontario Companies' Act as a Joint Stock Company to be known as the Ontario Biscuit and Confectionery Co. Limited, with an authorized capital of \$25000 to be divided into 250 shares of \$100 each. They are joined by H. Carter, Brampton; R. Foster, Guelph; and V. Beckett, Hamilton, who subscribe for 20 shares each, and agree to pay for the same in cash. The Assets and Liabilities of the old firm, as shown by the statement below, are taken over by the Company and fully paid-up shares are issued therefor, cash being paid in each case for the fractional part of a share.

ASSETS					
Cash, On hand	-	-	-	-	73.50
On deposit in the Dominion Bank	-	-	-	-	1926.50
					2000.00
Bills Receivable—					
No. 1, Note dated Apr. 19 at 1 mo. against R. D. Hamilton, with interest at 7%	-	-	-	-	200.00
No. 2, Draft dated Apr. 24 at 30 da. date, on H. Reid, accepted Apr. 26, with interest at 6%	-	-	-	-	150.00
					350.00
Accounts Receivable—					
A. W. Gage	-	-	-	-	24.20
H. McConnell	-	-	-	-	156.10
R. Abbott	-	-	-	-	75.60
W. R. Boyd	-	-	-	-	147.50
J. Hayes	-	-	-	-	250.00
					843.40
Less 10% for Bad Debts	-	-	-	-	84.34
					759.06
Real Estate	-	-	-	-	4000.00
Plant	-	-	-	-	4667.00
					8667.00
Material, Biscuit Department	-	-	-	-	1200.00
Confectionery Department	-	-	-	-	600.00
					1800.00
Manufactured Goods—Biscuits	-	-	-	-	1800.00
Confectionery	-	-	-	-	400.00
					2200.00
Boxes, barrels, etc.	-	-	-	-	400.00
Interest accrued on Bills Receivable	-	-	-	-	.83
					16176.89

LIABILITIES

Accounts Payable—

The Goldie Milling Co.	-	-	-	-	1350.00
The Standard Refining Co.	-	-	-	-	250.00
					<u>1600.00</u>

Bills Payable—

No. 1, Note favour the Goldie Milling Co., Apr. 9, at 2 mos.	-	-	-	-	275.00
No. 2, Acceptance favour C. Barnes, Apr. 7, at 30 da.	-	-	-	-	220.00
					<u>495.00</u>
W. Thompson, Net Capital	-	-	-	-	8044.67
H. Brown, Net Capital	-	-	-	-	<u>6037.22</u>
					<u>16176.89</u>

W. Thompson is elected President, and Student is engaged as Accountant and Secretary of the Company at a salary of \$100 a month.

Prepare the Memorandum of Agreement and Stock Book, and have it properly signed.

Prepare the Instalment List for a first call of 100 per cent. on the Capital Stock. Carter, Foster and Berlett pay cash in full for their shares.

Issue the certificates to the shareholders.

Open the books for the Company, making all necessary entries, then take a Trial Balance.

Following are the employees: Miss Mary Dunlop, stenographer, at \$10 a week; Wm. Smith, assistant, at \$60 a month; Jas. Robertson, foreman of the Biscuit Department, and Henry Barker, foreman of the Confectionery Department, at \$90 each per month; R. Dixon, G. Elliott, R. Wright, P. Davis, T. Jones, P. Ballard, hands in the Biscuit Department; C. Cameron, R. Lewis, J. Forbes, K. Hall, J. H. Howell, T. Rhodes, hands in the Confectionery Department, at 30 cents an hour, 9 hours to the day; J. Fraser, shipping clerk, at 30 cents an hour; Arthur Churchill and E. Summers, salesmen, at \$90 a month and expenses. All engagements with the Company date from May 1. Wages are paid at the middle and end of the month.

Prepare the necessary Time Sheets.

Deposit all cash in the Dominion Bank, and make all payments by cheque unless otherwise directed.

Give the Petty Cashier cheque for \$100 for Imprest.

Pay R. Wilkinson's bill for a set of office books and stationery, \$45.

Pay Insurance premium, \$90.

Give Churchill and Summers, each a cheque for \$20 on account of travelling expenses, as Imprest.

The following invoices have been received: The Goldie Milling Co., Apr. 27, $\frac{2}{10}$, $\frac{1}{30}$, 20 bbls. Flour @ \$6.75; 4 bbls. Oatmeal @ \$7.25 (Bis. Dept.); freight paid, \$15. The Standard Refining Co., Apr. 30, $\frac{3}{10}$, $\frac{1}{30}$; 10 bbls. Gran. Sugar, 282-21, 285-23, 284-22, 286-20, 290-23, 289-22, 287-24, 290-22, 284-20, 291-21 @ $4\frac{1}{2}$ c.; 10 bbls. Pulverized Sugar, 294-21, 290-24, 292-20, 286-23, 292-24, 287-21, 290-22, 286-24, 288-20, 290-22 @ $4\frac{1}{2}$ c. (Conf. Dept.); freight paid, \$20.

A. W. Gage paid his account in full in cash.

The following orders have been filled: J. Beck, $1\frac{1}{2}$ / 10 , $\frac{1}{20}$, 1 bbl. Arrowroot Bis., 60 lbs., @ 12c.; 1 bbl. Fruit Bis., 70 lbs., @ $12\frac{1}{2}$ c.; 5 doz. bxs. Sodas @ $17\frac{1}{2}$ c. a box.

H. McConnell, $1\frac{1}{2}$ / 10 , $\frac{1}{20}$, 4 bxs. Oyster Bis., 20 lbs. ea., @ $7\frac{1}{2}$ c.; 2 bbls. Mixed Bis., 63 lbs. ea. @ 8c.; 1 doz. bxs. Ginger Snaps, 30 lbs. ea., @ 10c.

Time lost: Jones, 2 hrs.; Cameron, 1 hr.

3. H. McConnell paid his account in full in cash.

The following invoicees have been received : The Standard Refining Co., May 1, 10 bbls. Molasses, 40, 42, 41, 43, 45, 41, 44, 42, 43, 45 gals. @ 30c. (Conf.) ; 5 bbls. Y. Sugar, 343-20, 345-18, 340-21, 344-17, 345-22 @ 3½c. (Bis.) ; freight, \$10. (Bis. 83, Conf. 87.)

{ Sanford Bros., May 3, 15 c/s B. Soda @ \$3.60 ; 10 c/s Ginger @ \$4.80 (Bis.) ; delivery, \$2.50.

Gordon King & Co., May 1, 3 lbs. " 30c. Flavourings, 3 doz. Lemon @ 90c. ; 4 doz. Almond @ \$1 5 doz. Vanilla @ 75c. (Conf.) ; freight, \$1.50.

Paid the Wilkinson Box Co. for an invoice of boxes, \$125.75.

These orders have been filled : R. Abbott, 30 da., 2 bbl. Arrowroot Bis., 60 lbs. ea., @ 12c. ; 12 bxs. Oyster Bis., 20 lbs. ea., @ 10c. ; 12 bxs. G. Snaps, 30 lbs. ea., @ 11c.

W. R. Boyd, 12 bxs. Oatmeal Wafers, 18 lbs. ea., @ 9c. ; 2 bbls. Mixed Bis., 63 lbs. ea., @ 7½c.

Deposit all cash on hand.

Time lost : Wright, 1 hr.

4. Pay the Goldie Milling Co.'s account to May 1, less disc. 2%.

Pay J. Green for repairs in the Biscuit Dept., \$15.20.

Draw on R. Abbott at 10 da., for the amount of his account.

The following invoicees have been received : The California Fruit Co., May 1, n/cash. 12 bxs. Layer Raisins, 28 lbs. ea., @ 7c. ; 12 bxs. Currants, 56 lbs. ea., @ 6c. (Bis. Dept.). Pay duty, \$15. and freight, \$5.

T. Davidson & Co., May 3, n/cash, 15 bbls. Oatmeal at \$4.50 (Bis. Dept.).

These orders have been filled : J. Hayes, S D with monthly statement, 1 bbl. Fruit Bis., 70 lbs. ea., @ 12c. ; 1 bbl. Soda Bis., 66 lbs., @ 7c. ; 5 pails Acid Drops, 125 lbs., @ 7c. ; 10 bxs. Assorted Creams, 60 lbs., @ 20c.

H. Curtis, note at 10 da., with M S, 4 bxs. Oyster Bis., 80 lbs., @ 10c. ; 3 bxs. Oatmeal Wafers, 54 lbs., @ 12c. ; 1 bbl. Mixed Candy, 220 lbs., @ 4c. ; 4 bxs. Assorted Creams, 24 lbs., @ 20c.

Pay by bank draft purchased at 99½, the invoice of the California Fruit Co. received to-day.

Pay by cheque, T. Davidson & Co.'s invoice received to-day.

Time lost : Ballard, 1½ hrs. ; Lewis, 2 hrs.

5. W. R. Boyd and J. Hayes pay their accounts in full to May 1 by cheque.

Pay the Standard Refining Co.'s account to May 1 by bank draft, purchased by cheque, exchange £

Pay the Goldie Milling Co.'s invoice of Apr. 27, less disc.

H. Brown has, with the consent of the company, transferred 20 shares of his stock to H. L. Packard, Toronto. Write the form of transfer and the stock certificates, and make the necessary entries.

The following invoicees have been received : The Goldie Milling Co., May 2, 25 bbls. Flour, Grade A, @ \$5.75 ; 30 bbls. Grade B. Flour @ \$5.50 (Bis.) ; freight, \$3.50.

Sanford Bros., May 4, 4 bxs. B. Soda @ \$2 ; 1 bbl. Ginger, 100 lbs., @ 23c. (Bis.)

These orders have been filled : The Orris Turner Co., n/c. 5 drums Maple Chocolates, 20 lbs. ea., @ 15c. ; 20 bxs. Caramels, 30 lbs., @ 14c. ; 10 tins Butter Scotch, 7 lbs. ea., @ 10c.

E. Walker, 2 doz. bxs. Ginger Snaps, 9 lbs. ea., @ 13c. ; 12 tins Fruit Bis., 14 lbs. ea., @ 12½c. ; 3 doz. bxs. Sodas, 20 lbs. ea., @ 7½c.

Lost time : Dixon, 2 hrs. ; Hall, 3 hrs.

6. W. Thompson, with the consent of the company, has transferred 15 shares of his stock to R. Wilson, Toronto, at \$110 a share. Make the necessary forms and entries.

The following orders have been filled: A. W. Gage, 30 da., 10 drums Wrapped Taffy, 15 lbs. ea., @ 9c.; 4 drums Maple Chocolates, 20 lbs. ea., @ 15c.; 6 tins Butter Scotch, 7 lbs. ea., @ 16c.; 10 bxs. Oyster Bis., 2½ lbs. ea., @ 8c.; 12 bxs. G. Snaps, 9 lbs. ea., @ 13c.

R. Rowe, 30 da., 10 bottles Assorted Tablets, 5 lbs. ea., @ 15c.; 12 drums Mixed Candy, 20 lbs. ea., @ 8c.; 2 doz. bxs. Caramels, 40 lbs., @ 14c.; 10 tins Arrowroot Bis., 8 lbs. ea., @ 12½c.; 12 tins Fruit Bis., 14 lbs. ea., @ 12½c.

G. Morrison, 8 d with M. S., 2 doz. bxs. Oatmeal Wafers, 7 lbs. ea., @ 12½c.; 5 doz. tins Arrowroot Bis., 8 lbs. ea., @ 12½c.; 5 doz. bxs. Sodas, 20 lbs. ea., @ 7½c.

Summers reports travelling expenses, \$12; Churchill, \$11.50.

Time lost: Hall, 1 hr.; Wright, 1 hr.

Post up to date. Find Cash and Bank balances.

8. Give to Churchill and Summers, cheques on account of travelling expenses, as reported. Pay by cheque, the invoice of the Standard Refining Co. of Apr. 30.

Receive from J. Beck and H. McConnell, cheques for their bills of May 2, less disc.

These orders have been filled: R. Graham, 30 da., 10 drums M. Chocolates, 20 lbs. ea., @ 15c.; 2 doz. bxs. Assorted Creams, 1 lb. ea., @ 18c.; 5 pails Acid Drops, 125 lbs., @ 12c.; 5 doz. bxs. Sodas, 20 lbs. ea., @ 7½c.; 3 doz. tins Fruit Bis., 14 lbs. ea., @ 12½c.

E. Rogers, $\frac{3}{10}$, $\frac{n}{30}$, 4 drums M. Candy, 20 lbs. ea., @ 18c.; 6 tins Bu. Scotch, 7 lbs. ea., @ 10c.; 1 doz. bxs. Sodas, 20 lbs. ea., @ 7½c.; 1 doz. bxs. G. Snaps, 9 lbs. ea., @ 13c.

Deposit all cheques on hand; exchange $\frac{1}{2}\%$ on out-of-town cheques.

9. Pay by bank draft, purchased by cheque (exchange $\frac{1}{2}\%$), the invoice of the Standard Refining Co., May 1, and the invoice of Gordon King & Co., May 1, less discount in each case.

Receive from W. R. Boyd, his cheque for the sale of the 3rd, less discount.

These invoices have been received: Sanford Bros., May 8, $\frac{5}{10}$, $\frac{n}{30}$, 12 bxs. B. Soda @ \$2; 1 bbl. Ginger, 100 lbs., @ 23c. (Bis.).

Gordon King & Co., May 6, $\frac{3}{10}$, $\frac{n}{30}$, 5 gross Assorted Flavourings, 90c. a doz. (Conf.): express, \$1.25; pay it in cash.

These orders have been filled: B. Stewart, $\frac{2}{10}$, $\frac{n}{30}$, 5 pails Acid Drops, 25 lbs. ea., @ 12c.; 6 drums M. Chocolates, 20 lbs. ea., @ 15c.; 1 doz. bxs. Caramels, 2 lbs. ea., @ 14c.

E. Walker, $\frac{2}{10}$, $\frac{n}{30}$, 2 doz. bxs. Oyster Bis., 2½ lbs. ea., @ 8c.; 3 doz. bxs. Oatmeal Wafers, 7 lbs. ea., @ 12½c.; 8 tins Fruit Bis., 14 lbs. ea., @ 12½c.

Time lost: Rhodes, 1 hr.

10. Pay by bank draft, purchased by cheque (exchange $\frac{1}{2}\%$), the invoice of the Goldie Milling Co. of May 2.

Receive from the Orris Turner Co., a cheque for their order of the 5th.

Pay by cheque, the acceptance of Apr. 7, favour C. Barnes, due to-day.

These invoices have been received: The Standard Refining Co., May 8, $\frac{5}{10}$, $\frac{n}{30}$, 10 bbls. Molasses, $\frac{1}{4}$ 40, 42, 43, 44, 41, 45, 43, 42, 44, 46 gals. @ 30c. (Bis.); 10 bbls. Glucose, 280 lbs. ea., @ 3c. (Conf.); freight, \$17.50. (Bis. \$10.50, Conf. \$7.)

The Goldie Milling Co., May 8, $\frac{2}{10}$, $\frac{n}{30}$, 10 bbls. Flour @ \$5.75; 5 bbls. Oatmeal @ \$4.50; freight, \$12.50.

These orders have been filled: J. McDougall & Co., $\frac{2}{10}$, $\frac{n}{30}$, 2 doz. tins Arrowroot Bis., 8 lbs. ea., @ 12½c.; 1 doz. bxs. Oyster Bis., 2½ lbs. ea., @ 8c.; 1 doz. bxs. G. Snaps, 9 lbs. ea., @ 13c.

W. J. Riddell, 30 da., 5 pails Acid Drops, 125 lbs., @ 12c.; 2 drums Wrapped Taffy, 15 lbs. ea., @ 9c.; 20 bxs. Assorted Creams, 1 lb. ea., @ 18c.

11. These orders have been filled : R. Abbott, 30 da., 1 doz. bxs. Oatmeal Wafers, 7 lbs. ea., @ $12\frac{1}{2}$ c.; 2 doz. bxs. Sodas, 20 lbs. ea., @ $7\frac{1}{2}$ c.; 1 doz. tins Fruit Bis., 14 lbs. ea., @ $12\frac{1}{2}$ c.
 G. Morrison, S/D with M/S, 1 doz. tins Arrowroot Bis., 8 lbs. ea., @ $12\frac{1}{2}$ c.; 1 doz. bxs. G. Snaps, 9 lbs. ea., @ 13c.; 1 doz. bxs. Oyster Bis., $2\frac{1}{2}$ lbs. ea., @ 8c.

12. Receive from E. Walker, his cheque for the bill of the 5th, less disc.
 Pay J. Green for repairs in the Conf. Dept., \$10.25.
 The following order has been filled : A. W. Gage, 30 da., 5 drums M. Candy, 20 lbs. ea., @ 8c.; 5 bottles Assorted Tablets @ \$1; 20 bxs. Caramels, 30 lbs., @ 14c.
 Time lost : Hall, $1\frac{1}{2}$ hrs.; Wright, $1\frac{1}{2}$ hrs.

13. Receive from the California Fruit Co., the following invoice, May 10, $\frac{2}{10}, \frac{1}{30}, \frac{n}{60}$: 12 bxs. Currants, 56 lbs. ea., @ 7c.; 24 lbs. Raisins, 28 lbs. ea., @ 8c.; (Bis.) the freight was prepaid. Pay the duty, 1c. a pound, in cash.
 These orders have been filled : J. Beck, 30 da., 10 drums M. Chocolates, 20 lbs. ea., @ 15c.; 10 drums Mixed Candy, 20 lbs. ea., @ 8c.; 3 doz. bxs. Caramels, 50 lbs., @ 14c.
 E. Rogers, $\frac{2}{10}, \frac{n}{30}$, 10 bxs. Oatmeal Wafers, 7 lbs. ea., @ $12\frac{1}{2}$ c.; 10 bxs. Fruit Bis., 14 lbs. ea., @ $12\frac{1}{2}$ c.; 10 bxs. Sodas, 20 lbs. ea., @ $7\frac{1}{2}$ c.
 Mr. Churchill hands in cash for R. Abbott's account, and also for R. Rowe's account to date, and reports travelling expenses for the week, \$13.50.
 Mr. Summers hands in cash for W. J. Riddell's account and A. W. Gage's account to date, and reports travelling expenses for the week, \$12.75.
 Deposit all cheques and all cash on hand; exchange $\frac{1}{2}\%$ on out-of-town cheques.
 Time lost : Rhodes, $1\frac{1}{2}$ hrs.; Dixon, 1 hr.

14. Give Messrs. Churchill and Summers, cheques on account of travelling expenses, as reported.
 These orders have been filled : B. Stewart, $\frac{2}{10}, \frac{n}{30}$, 5 drums M. Chocolates, 20 lbs. ea., @ 15c.; 5 drums M. Taffy, 15 lbs. ea., @ 9c.; 2 doz. bxs. Assorted Creams, 1 lb. ea., @ 18c.; 2 doz. bxs. Oyster Bis., $2\frac{1}{2}$ lbs. ea., @ 8c.; 3 doz. bxs. Oatmeal Wafers, 7 lbs. ea., @ $12\frac{1}{2}$ c.
 J. Hayes, S/D with M/S, 3 doz. bxs. Caramels, 52 lbs., @ 14c.; 3 pails Acid Drops, 72 lbs., @ 12c.; 5 drums M. Chocolates, 20 lbs. ea., @ 15c.
 Make out the Pay Sheet. Draw the necessary money, and pay the wages for the half-month.
 Make a memorandum showing the change required. O.K. the Petty Cash and issue cheque.
 Post up to date. Post totals. Close the cash book and bring down balances.
 Take off a Trial Balance. Prepare Statements. Close the books. Inventories page 3.

15. Pay the following bills by cheque (discount allowed) : Sanford Bros.' bills of May 3 & 4, and Gordon King & Co.'s bill of May 6.
 These orders have been filled : The Orris Turner Co., n/c, 5 drums M. Chocolates, 20 lbs. ea., @ 15c.; 5 drums M. Candy, 20 lbs. ea., @ 8c.; 3 doz. bxs. Caramels, 50 lbs., @ 14c.
 R. Rowe, 30 da., 5 doz. bxs. Oatmeal Wafers, 7 lbs. ea., @ $12\frac{1}{2}$ c.; 10 doz. bxs. Sodas, 20 lbs. ea., @ $7\frac{1}{2}$ c.; 2 doz. tins Arrowroot Bis., 8 lbs. ea., @ $12\frac{1}{2}$ c.
 Time lost : Rhodes, 1 hr.; Cameron, $1\frac{1}{2}$ hrs.

16. Pay by bank draft the bills of the Standard Refining Co. and the Goldie Milling Co. of the 8th, less disc.
 Receive cheques from E. Rogers for bill of the 8th, less disc., and R. Abbott for his acceptance of the 4th, due to-day.

17. Pay by cheque Sanford Bros.' bill of the 8th, less disc.
 Receive cheques for bills of E. Walker and B. Stewart of the 9th.

These orders have been filled : G. Morrison, S/D with M/S, 2 tins Fruit Bis., 14 lbs. ea., @ $12\frac{1}{2}$ c. ; 3 doz. bxs. Oyster Bis., $2\frac{1}{2}$ lbs. ea., @ 8c. ; 5 doz. bxs. Sodas, 20 lbs. ea., @ $7\frac{1}{2}$ c. ; 1 doz. bxs. Oatmeal Wafers, 7 lbs. ea., @ $12\frac{1}{2}$ c.

R. Graham, 30 da., 4 pails Acid Drops, 100 lbs. net, @ 12c. ; 5 bottles Assorted Tablets @ \$1.25 ; 3 drums M. Candy, 20 lbs. ea., @ 8c. ; 12 tins Bu. Scotch, 7 lbs. ea., @ 10c.

19. Pay by bank draft purchased at $1\frac{1}{2}$ %, premium, the bill of the California Fruit Co. of the 10th, less discount.

Receive from J. McDougall & Co., their cheque for the bill of May 10th, less disc.

These orders have been filled : W. J. Riddell, 30 da., 5 doz. bxs. Assorted Creams, 1 lb. ea., @ 18c. ; 4 drums M. Chocolates, 20 lbs. ea., @ 15c. ; 5 drums Wrapped Taffy, 15 lbs. ea., @ 9c. ; 3 doz. bxs. Caramels, 45 lbs., @ 14c.

J. McDougall & Co., n.c. 6 bxs. Arrowroot Bis., 8 lbs. ea., @ $12\frac{1}{2}$ c. ; 8 bxs. Oyster Bis., $2\frac{1}{2}$ lbs. ea., @ 8c. ; 2 doz. bxs. G. Snaps, 9 lbs. ea., @ 13c.

20. These invoices have been received : The Wilkinson Box Co., n/c, \$50.75. Pay this by cheque.

The Goldie Milling Co., May 18, $\frac{2}{10}$, $\frac{n}{30}$, 10 bbls. Flour @ \$5.75 ; 4 bbls. Oatmeal @ \$4.50 (Bis.) ; freight, \$6.25.

These orders have been filled : W. R. Boyd, $\frac{2}{10}$, $\frac{n}{30}$, 2 doz. tins Arrowroot Bis., 8 lbs. ea., @ $12\frac{1}{2}$ c. ; 2 doz. bxs. Oyster Bis., $2\frac{1}{2}$ lbs. ea., @ 8c. ; 1 doz. bxs. G. Snaps, 9 lbs. ea., @ 13c.

B. Stewart, $\frac{2}{10}$, $\frac{n}{30}$, 3 doz. bxs. Oatmeal Wafers, 7 lbs. ea., @ $12\frac{1}{2}$ c. ; 1 doz. bxs. Sodas, 20 lbs. ea., @ $7\frac{1}{2}$ c. ; 6 tins Fruit Bis., 14 lbs. ea., @ $12\frac{1}{2}$ c. ; 5 doz. bxs. Caramels, 70 lbs., @ 14c. ; 6 drums M. Candy, 20 lbs. ea., @ 8c. ; 5 pails Acid Drops, 125 lbs., @ 12c.

Mr. Summers reports travelling expenses for the week, \$16.25 ; Mr. Churchill, \$15.75.

Post up to date.

22. Give to Churchill and Summers, cheques to meet travelling expenses, as reported.

Pay cash for repairs in the Confectionery Dept., \$4.25 ; also for stamps and stationery, \$4.75.

These orders have been filled : R. Graham, 30 da., 5 bottles Ass. Tablets @ \$1 ; 4 drums M. Chocolates, 20 lbs. ea., @ 15c. ; 3 doz. bxs. Ass. Creams, 40 lbs., @ 18c. ; 4 doz. tins Bu. Scotch, 7 lbs. ea., @ 10c. ; 2 doz. tins Arrowroot Bis., 8 lbs. ea., @ $12\frac{1}{2}$ c. ; 2 doz. tins Fruit Bis., 14 lbs. ea., @ $12\frac{1}{2}$ c. ; 2 doz. bxs. Sodas, 20 lbs. ea., @ $7\frac{1}{2}$ c.

G. Morrison, S/D with M/S, 3 doz. bxs. Oatmeal Wafers, 7 lbs. ea., @ $12\frac{1}{2}$ c. ; 2 doz. bxs. G. Snaps, 9 lbs. ea., @ 13c. ; 2 doz. bxs. Oyster Bis., $2\frac{1}{2}$ lbs. ea., @ 8c.

Receive from R. Hamilton, his cheque in payment of his note and interest due to-day.

Time lost : Rhodes, $1\frac{1}{2}$ hrs. ; Cameron, $1\frac{1}{2}$ hrs.

23. Draw on R. Graham at 30 da. from May 8, for the amount of his bill of that date, and leave the draft with the bank for collection.

These orders have been filled : The Orris Turner Co., $\frac{2}{10}$, $\frac{n}{30}$, 1 doz. tins Bu. Scotch, 7 lbs. ea., @ 10c. ; 5 doz. bxs. Caramels, 75 lbs., @ 14c. ; 6 drums M. Candy, 20 lbs. ea., @ 8c. ; 6 drums W. Taffy, 15 lbs. ea., @ 9c.

J. Beck, 30 da., 6 drums M. Chocolates, 20 lbs. ea., @ 15c. ; 6 drums M. Candy, 20 lbs. ea., @ 8c. ; 3 doz. bxs. Ass. Creams, 45 lbs., @ 18c. ; 6 tins Bu. Scotch, 7 lbs. ea., @ 10c.

Time lost : Lewis, 1 hr. ; Hall, $1\frac{1}{2}$ hrs.

24. Receive from E. Rogers, his cheque for the bill of May 13, less disc.

Draw on J. Beck at 30 da. from May 13, for the bill of that date.

Receive the following invoice from the Standard Refining Co., May 20, $\frac{5}{10}$, $\frac{n}{60}$: 6 bbls. Glucose, 280 lbs. ea., @ 3c. (Conf.) ; 10 bbls. Molasses, 40, 42, 41, 43, 42, 45, 43, 44, 41, 45 gals. @ 30c. (Bis.) ; freight, \$11.50. (Conf. \$3.50, Bis. \$8.)

These orders have been filled : H. McConnell, $\frac{1}{10}, \frac{1}{20}$, 2 doz. bxs. Oatmeal Wafers, 7 lbs. ea., @ $12\frac{1}{2}$ c. ; $\frac{1}{2}$ doz. bxs. G. Snaps, 9 lbs. ea., @ 13c. ; 3 doz. bxs. Fruit Bis., 14 lbs. ea., @ $12\frac{1}{2}$ c. E. Rogers, $\frac{2}{10}, \frac{1}{20}$, 6 drums M. Chocolates, 20 lbs. ea., @ 15c. ; 3 pails Acid Drops, 75 lbs., @ 12c. ; 1 doz. tins Bu. Scotch, 7 lbs. ea., @ 10c.

Deposit all cheques on hand ; exchange $\frac{1}{2}$ per cent. on out-of-town cheques.

Time lost : Elliott, 1 hr. ; Howell, 1 hr.

25. Receive from B. Stewart, his cheque for the net amount of the bill of May 15.

These orders have been filled : J. Hayes, 8 D with M 8, 6 tins Bu. Scotch, 7 lbs. ea., @ 10c. ; 3 pails Acid Drops, 75 lbs. @ 12c. ; 6 drums M. Candy, 20 lbs. ea., @ 8c.

H. Curtis, note at 10 da. with M 8, 2 doz. tins Ar. Bis., 8 lbs. ea., @ $12\frac{1}{2}$ c. ; 2 doz. tins Fruit Bis., 14 lbs. ea., @ $12\frac{1}{2}$ c. ; 1 doz. bxs. Sodas, 20 lbs. ea., @ $7\frac{1}{2}$ c.

26. Receive from the Orris Turner Co., a cheque for their bill of the 16th.

Pay the Goldie Milling Co. by bank draft, for their bill of the 18th.

These orders have been filled : E. Walker, $\frac{2}{10}, \frac{1}{20}$, 2 doz. tins Arrowroot Bis., 8 lbs. ea., @ $12\frac{1}{2}$ c. ; 2 doz. bxs. Oyster Bis., $2\frac{1}{2}$ lbs. ea., @ 8c. ; 1 doz. bxs. Sodas, 20 lbs. ea., @ $7\frac{1}{2}$ c. ; 1 doz. bxs. Oatmeal Wafers, 7 lbs. ea., @ $12\frac{1}{2}$ c.

J. McDougall & Co., $\frac{2}{10}, \frac{1}{20}$, 2 doz. bxs. G. Snaps, 9 lbs. ea., @ 13c. ; 2 doz. bxs. Fruit Bis., 14 lbs. ea., @ $12\frac{1}{2}$ c. ; 1 doz. tins Ar. Bis., 8 lbs. ea., @ $12\frac{1}{2}$ c.

Time lost : Cameron, $2\frac{1}{2}$ hrs.

27. Receive from the Standard Refining Co., the following invoice, May 25, $\frac{5}{10}, \frac{1}{20}$: 10 bbls. Y. Sugar, 335-15, 340-20, 338-15, 336-14, 339-12, 342-20, 338-16, 340-20, 336-14, 342-20 @ $3\frac{1}{2}$ c. (Bis.) ; 10 bbls. G. Sugar, 285-22, 280-20, 283-21, 282-20, 284-18, 285-23, 282-20, 286-24, 283-15, 285-21 @ $4\frac{1}{2}$ c. (Conf.) ; freight prepaid.

Receive from J. McDougall & Co., a cheque for their bill of the 19th.

These orders have been filled : R. Abbott, 30 da., 6 tins Ar. Bis., 8 lbs. ea., @ $12\frac{1}{2}$ c. ; 12 tins Fruit Bis., 14 lbs. ea., @ $12\frac{1}{2}$ c. ; 12 tins Oyster Bis., $2\frac{1}{2}$ lbs. ea., @ 8c. ; 6 bxs. Sodas, 20 lbs. ea., @ $7\frac{1}{2}$ c.

A. W. Gage, 30 da., 5 bottles Ass. Tablets @ \$1 ; 1 doz. drums M. Chocolates, 20 lbs. ea., @ 15c. ; 16 drums M. Candy, 20 lbs. ea., @ 8c. ; 3 doz. bxs. Caramels, 44 lbs., @ 14c.

Time lost : Rhodes, 2 hrs.

Mr. Summers hands in cash for W. J. Riddell's account to date, and reports travelling expenses for the week, \$17.50. Mr. Churchill hands in cash for R. Rowe's account to date, and reports travelling expenses, \$16.25.

Received from H. Reid, his cheque for the amount of his acceptance and interest, due to-day.

Deposit all cheques on hand. Usual exchange.

Post up to date.

29. Give to Churchill and Summers, cheques to meet travelling expenses, as reported.

Receive from W. R. Boyd and from B. Stewart, cheques for their bills of the 20th.

These orders have been filled : W. J. Riddell, 30 da., 1 doz. tins Bu. Scotch, 7 lbs. ea., @ 10c. ; 5 doz. bxs. Caramels, 75 lbs., @ 14c. ; 6 drums M. Candy, 20 lbs. ea., @ 8c. ; 6 drums M. Chocolates, 20 lbs. ea., @ 15c. ; 3 pails Acid Drops, 25 lbs. ea., @ 12c.

R. Rowe, 30 da., 1 doz. bxs. O. Wafers, 7 lbs. ea., @ $12\frac{1}{2}$ c. ; 3 doz. bxs. Fruit Bis., 14 lbs. ea., @ $12\frac{1}{2}$ c. ; 2 doz. bxs. Oyster Bis., $2\frac{1}{2}$ lbs. ea., @ 8c.

30. These orders have been filled : H. McConnell, $\frac{2}{10}, \frac{1}{20}$, 4 doz. tins Ar. Bis., 8 lbs. ea., @ $12\frac{1}{2}$ c. ; 3 doz. bxs. Oyster Bis., $2\frac{1}{2}$ lbs. ea., @ 8c. ; 6 bxs. Sodas, 20 lbs. ea., @ $7\frac{1}{2}$ c. ; 2 doz. bxs. O. Wafers, 7 lbs. ea., @ $12\frac{1}{2}$ c.

E. Walker, $\frac{2}{10}$ $\frac{1}{30}$, 2 doz. tins Bu. Scotch, 7 lbs. ea., @ 10c.; 5 doz. bxs. Assorted Creams, 73 lbs., @ 18c.; 4 drums M. Chocolates, 20 lbs. ea., @ 15c.; 6 drums M. Candy, 20 lbs. ea., at 8c.

Pay the bill of the City Electrical Co. for Heat, Light, and Power, \$175.

31. Deposit all cheques: usual exchange. Complete the pay sheet and pay wages to date.

Pay up to date. Post totals. O.K. the Petty Cash and issue cheque. Close the Cash Book and bring down balances. Take a Trial Balance.

Render monthly statements to G. Morrison, J. Hayes, and H. Curtis, and enclose with each the necessary draft for acceptance or note for signature. The drafts should be attached to the statements, and sent through the bank.

Make out the Financial Statements, using the following Inventories:

Biscuit Material.....	\$800	Biscuit (Manufactured Goods).....	\$3300
Confectionery Material.....	750	Confectionery (Manufactured Goods).....	1200
Boxes, etc.	35		

Depreciation on Plant and Machinery, $1\frac{1}{2}\%$ — $\frac{1}{2}\%$ each half month.

Insurance 11 mos. paid in advance.

Travelling expenses for 3 days (estimated), \$16.50.

Make the following division:

Box and Shipping (Cost and Inventory)—Biscuits, $\frac{1}{2}$; Confectionery, $\frac{1}{2}$.

Depreciation on Plant and Machinery—Biscuits, $\frac{2}{3}$; Confectionery, $\frac{1}{3}$.

Heat, Light, and Power—Biscuits, $\frac{1}{3}$; Confectionery, $\frac{1}{3}$; General, $\frac{1}{3}$.

Repairs—Biscuits, $\frac{2}{3}$; Confectionery, $\frac{1}{3}$; or enter in separate accounts.

Appropriation of Profits:

(a) A dividend of 1% is declared.

(b) The balance is to be brought down in Profit and Loss account.

Prepare the Dividend Book. Pay the dividend and close the Cash Book. Close the books.

do this:

EXERCISE

From the following information prepare Manufacturing, Trading, Profit and Loss Accounts, and Balance Sheet; also Profit and Loss Appropriation Account at Dec. 31, 19—. Accts. Rec., \$105000; Accts. Pay., \$18000; Sales Returns, \$1200; Res. for Bad Debts, \$5250; Bills Rec., \$15500; Bills Pay., \$10000; Bond Issue \$100000; Bond Int., \$6000; Cash Disc. Sales, \$2200; Cash Disc. Raw Material, \$1500; Capital Stock, \$120000; Bank, \$23600; Dividend Acct. (Interim), \$8400; Factory Exp., \$2100; Freight and Duty in, \$4500; Freight-out, \$2500; Gen. Exp., \$3200; Insurance, \$1800; Int. and Exch., \$1700; Raw Material on Hand, \$22000; Work in Process, \$26000; Finished Goods, \$52000; Furniture, \$1800; Plant, \$40000; Postage, \$900; Profit and Loss (Credit), \$21070; Purchase Material, \$120000; Purchase Finished Goods, \$5000; Taxes—Factory, \$3600; Rent, Office and Warehouse, \$1000; Res. for depreciation of Plant, \$4000; Res. for Depreciation of Furniture, \$180; Salaries, \$10000; Sales, \$250000; Travelling Sal. and Exp., \$15000; Wages, \$55000.

Inventories: Raw Material, \$25000; Work in Process, \$38000; Finished Goods, \$45000; Unexpired Insurance, \$300. Allow 10% depreciation on decreasing balances of Plant and Furniture. \$2500 of Accts. Rec. are bad; write off into Bad Debts Rec. Accts. and increase the reserve to make it 3% of total balances of Accts. Rec. and Bills Rec. still outstanding. Create a Sinking Fund for redemption of Bond Issue by setting aside 10% of same. Charge 75% of Insurance to Manufacturing. Charge Trading Acct. with Manufactured Goods at Factory cost.

COST ACCOUNTING

By Cost Accounting, is meant a system of Accounting so arranged and so complete as to provide the data necessary for finding the complete cost of the manufactured product either by the unit, as pound, yard, ton, etc.; or by the article, as a boiler; or by the job

The primary object of such a system is, therefore, to show—

1. The cost of production.
2. The analysis of such cost.

But a well-arranged system will also—

1. Provide reliable records of work done for future reference.
2. Provide the means of detecting waste of material or loss of time.
3. Act as a check on managers or others in authority.
4. Make possible the preparation of periodical returns which will show the progress of the business.

The items entering into the complete cost of a manufactured product may be set down as follows:

1. Material, including freight and duty.
2. Wages of workmen, whether by the piece or by the day.
3. Workshop Expenses including—
 - (a) Direct expenses, that is such as may be charged directly to a particular job or contract.
 - (b) Indirect Expenses including such *factory* expenses as wages of superintendence and of Foremen, Lighting, Heating, Rent, Taxes, Insurance, Depreciation and Upkeep.
4. General Expenses—Expenses of Distribution and Administration—Salaries of Officers and Directors; upkeep of office and warehouse; Interest and Bank Charges; Travellers' salaries, commissions and expenses; Bad debts, etc.
5. Profits.

NOTE.—Material and Labour make up.....	Prime Cost
Material, Labour and Factory Expenses make up	Factory Cost
Material, Labour, Fac. Exp. and Gen. Expenses make up	Complete Cost
Material, Labour, Fac. Exp., Gen. Exp. and Profit make up	Selling Price

See cost formula page 137.

Cost accounts may be divided into two classes in which while the principles involved are the same the methods of record are different.

In the first class are the accounts of all factories having a uniform output such as bread-stuffs, textile fabrics, etc. For these it is necessary to collect the data in such a way as to show the cost of processes as mixing or dyeing or the cost of the product on the basis of a given unit,—pound, yard, etc. The cost of processes may in some cases be most readily found by special tests as the cost per hour of operating an oven. Care must be taken, however, to have the conditions of the test as nearly as possible the normal conditions of production.

In the second class are the accounts of all factories producing special articles or filling special contracts. For this class the data must be collected so as to show the cost of the completed article or of all the articles included in a particular contract.

For illustration of the first method of collecting the data and entering it through the books we shall take the Confectionery Department of the business of Set. VI, divide it into two departments "Chocolate" and "Taffy" and record the transactions for June.

The books will be arranged to show the average price per pound of each kind of candy made in each department. Tests will also be suggested for finding the cost of the product according to any special recipe.

The usual books of account for a manufacturing business will be kept. In addition there will be the necessary books and accounts for record of the control and cost data. The elements of cost may be considered in order. The chart, page 157, should receive careful study step by step in this connection.

MATERIAL

The Storekeeper's Record.

The material, being usually an important item in the cost of manufacture should be accounted for as carefully as is the cash or the time of the employees, and should be placed in charge of a storekeeper, who would check up all the invoices of material received and issue material to the factory only upon orders from the foremen. The record should be of the nature of a perpetual inventory showing the quantity of each sort of material received, the quantity issued to the factory and the balance in store. A lowest limit is usually set for each sort of material in store and when this limit is reached the storekeeper reports to the buyer who orders a further supply.

STORES SHEET

O	Name of line _____				Maximum _____			
	No. _____				Minimum _____			
	Date	In	Out	Balance	Date	In	Out	Balance
							Forward	
Forward								

The Bookkeeper's Record.

In addition to the foregoing record of perpetual inventory of material, which does not in any way affect the accounting record the bookkeeper must make entry of material through the books in such a way as to show (a) Purchases of Material. (b) Material Used.

MATERIAL

NO.	WHEN RECEIVED	L. F.	NAME	ADDRESS	DATE OF INV.	TERMS	FREIGHT	AMT. OF INVOICE
1	June 2	17	Standard Refining Co.	Montreal	May 30	5/10 th n/60		227 30
2	" 3	9	Gordon King & Co.	Montreal	Ju. 1	2/10 th n/30		127 20
3	" 3	19	Wilkinson Box Co.	Toronto	" 2	n/c		95 70
4	" 6	4	P. W. Hill & Co.	Toronto	" 5	n/c		189 40
	" 9	1/	Freight	On Inv. 1 and 2			19 05	
	*	16	Boxes	95.70			19 05	639 60
		19	Material	562.95				
		13	Freight	19.05				
		3	Accts. Payable	639.60				

The material purchased would be entered in the usual way through a Material Journal which should be ruled to show quantity and value of each kind of material bought. The form suggested for Set VII is given on pages 148 and 149.

Purchases of expense items, such as boxes for packing, may be provided for by special columns in this book or a separate Purchase book may be kept for them.

The entries in the Purchase Journal will be posted.

- (a) By invoices to the credit of each personal account concerned in the Purchase Ledger.
- (b) By total of "Invoice" column to the credit of Accounts Payable account in the General Ledger.
- (c) By totals of "Invoice" and "Freight" columns to the debit of Material Account in the General Ledger.
- (d) By total of Freight column to credit of Freight account in the General Ledger.
- (e) By totals of all the special columns to the debit of the various accounts in the Material Ledger.

It will be seen from the above that just as the Accounts Payable account in the General Ledger is a control account for the Purchase Ledger so the "Material" Account in the General Ledger is a control account for the Material Ledger.

The accounts in the Material Ledger should be ruled to show quantity and price as follows:

Form of Account in Material Ledger

SUGAR ACCOUNT

As already stated the material is given out by the storekeeper only upon order from a foreman in the factory.

JOURNAL

BOXES	SUGAR		GLUCOSE		NUTS		FLAVOURING		CHOCOLATE		CREAM		BUTTER		REMARKS
	Wt.	Amt.	Wt.	Amt.	Wt.	Amt.	Wt.	Amt.	Wt.	Amt.	Wt.	Amt.	Wt.	Amt.	
95 70	3901	185 30	1400	42 00				2 gr.	21 60	480	105 60				
		10 74		3 86	602	175 60		103		3 42			60	13 80	
95 70	3901	196 04	1400	45 86	602	175 60	2 gr.	22 63	480	109 02			60	13 80	
	M. L.	—	M. L.	—	M. L.	—	M. L.	—	M. L.	—			M. L.	—	

Form of Material Requisition.

Requisition No. 1		Production Order No. <i>Creams for Stock</i>			
Department. . . . <i>Chocolate</i>		MATERIAL REQUISITION			Date <i>June 2 19—</i>
Number or Symbol	Description	Quantity		Price	Amount
	<i>Sugar</i>	<i>35</i>			
	<i>Glucose</i>	<i>14</i>			
	<i>Nuts</i>	<i>6</i>			
	<i>Flavouring</i>	<i>3 oz.</i>	<i>Stop here</i>		
	<i>Chocolate</i>	<i>12</i>			
	<i>Cream</i>	<i>½ gal.</i>			
Requisition Filled <i>S. C.</i> Stores Clerk.		Entered on Summary of Materials Used			Signed <i>H. Barker</i> Cost Clerk
					Foreman

These orders or requisitions are then summarized and entered through the books—

- (a) By items to the debit of the particular order, job, or process in the cost Ledger for which they were requisitioned.
- (b) By totals to the debit of Manufacturing Account or Work in Process Account in the General Ledger and to the credit of Material Account in the General Ledger.
- (c) By totals to the credit of the various material accounts in the Material Ledger.

Form of Summary of Materials Used.

Materials Used		CREAMS							
Month of:		L.F.	Sugar	Glucose	Nuts	Flavour- ings	Choco- late	Cream	
Date									
June	2			35	14	6	3 oz.	12	1 gal.
..	3			21	9	3	2 oz.	9	..
..	5			35 $\frac{1}{2}$	13 $\frac{1}{2}$	4 $\frac{1}{2}$	3 $\frac{1}{2}$ oz.	14	..
SUMMARY			&c.	&c.	&c.	&c.	&c.	&c.	&c.
Sugar . . . lbs. @ . . . = \$. . .									
Glucose . . . lbs. @ . . . = . . .									
Nuts . . . lbs. @ . . . = . . .									
&c., &c.									
Cost of Material Used \$. . .				Total for Mo.	Total for Mo.	Do.	Do.	Do.	Do.

The material as used is thus transferred from Material Account to Manufacturing Account or Work in Process Account in the General Ledger.

The balance in the Material Account will show the material on hand and will prove with *a*. The total of the balances in the Material Ledger. *(b)* The total of the balances in the Storekeeper's record.

Entry for wastage will be considered under Factory Expense.

The question of prices in the transfer of material used from Material Account to Work in Process Account presents a difficulty. In a business such as the Candy business purchases of material are made at various times during the month and it may be that for the same kind and grade of material there are several prices. The average price as shown by the Purchase Journal and including Freight and other charges may be used. The adjustment for any slight difference in total value would be transferred to Work in Process Account in the same manner as wastage is transferred. See page 152.

PRODUCTIVE LABOR

By entering the names of employees on the Pay Roll in groups according to the departments in which they are employed the total of wages for each department may be obtained, and this would be all that would be required if the object were to find the average cost per pound in each department.

If, however, the purpose is to find the average cost per unit, or the cost per job or contract the data for labour cost would have to be taken from the workmen's cards, analysed and summarized then posted to the debit of proper Cost Ledger accounts and the sum total posted to the debit of Manufacturing Account or Work in Process account in the General Ledger.

The entries for payment and distribution of Productive labour would be. *(a)* At regular pay day, Pay Roll Dr./Bank Cr. *(b)* From summary of Workmen's Cards, Work in Process Dr. 1000, Cost Ledger accounts Dr. 1000/Pay Roll Cr. 1000.

Suggestive Form of Time Report Card.

Name	H. Barker		Date	June 2
No.	.1	DAILY TIME REPORT	Department	Chocolate
Order Number	Nature of Work	Time Started	Time Finished	For Office Use Only
				Hours Worked Rate Amount Cost Led. Folio
Store	Productive			
	Creams	8 A.M.	10 A.M.	2 60 1.20 1
	Chocolates	10 A.M.	12 A.M.	2 60 1.20
	Caramels	1 P.M.	3 P.M.	2 60 1.20
	Bonbons	3 P.M.	5 P.M.	2 60 1.20
	Non-Productive			
	Gen. Oversight	8 A.M.	5 P.M.	8 15 1.20
Entered Cost Dept.		Entered Pay Roll		Approved
Date. 19.	By.	Date 19.	By. H.B. Foreman	

Such cards may be used in addition to the usual "in and out" cards shown on page 130, or they may be filled in as the *only* time card for the workmen.

The data from the workman's daily report card should be collected on a Department Pay Roll and properly classified. From the Department Pay Roll it should be transferred to the Summary Pay Roll.

Suggestive Form of Department Pay Roll.

Department 1. Chocolate		PAY ROLL																Half month ending June 15, 19—			
No.	Name	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	Total Hours	Rate	Amount	Paid Check No.
	Productive																				
	Creams																				
1	Barker, H.....	2	2	2	2	2	2	1	1½	1½	2	1	1½	2				22½	60	13.50	
2	Cameron, C.....	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	104	60	62.40	
6	Mason, T.....	8	6	6	5	6	6	6	7	6	6	5	6	6	5	6	73	30	21.90		
	Chocolates																				
1	Barker, H.....	2	2	2	2	2	1	1	1½	1½	1	2	1½	1				20½	60	12.30	
3	Lewis, R.....	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	104	60	62.40	
7	Walker, J.....	4	5	4	6	4	6	6	6	6	5	5	6	5	5	6	5	62	30	18.60	
	Caramels																				
	Bonbons																				
	Non-Productive																				
1	Barker, H.....	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	104	15	15.60	
Total carried to Summary Pay Roll.....																				206.70	
Time and rates checked					Entered Summary Pay Roll										Approved						
..... Timekeeper					..... P.C.										..... H.B. Foreman						

FACTORY OVERHEAD

The material and labour make up the prime cost of a product but it is obvious that the finished product costs more than this. Factory space, supplies, light, heat, power, machinery, etc., have been used and a foreman or a superintendent has spent all or part of his time directing the workmen. Every part of the output must bear its due proportion of these expenses. Some of them, such as supplies, will be entered through the purchase book and collected by means of a special column therein. Others will be entered through the cash book when paid and totalled by means of a special column in this book. The totals of these columns will be charged to a Factory Overhead account in the General Ledger. For fuller information regarding the cost of these expenses an Analysis sheet may be used just as it was for details of general expenses. This analysis sheet, summary, or recapitulation as it is sometimes called, constitutes the Factory Overhead Ledger, controlled by the Factory Overhead account in the general ledger.

Wastage of Material would be checked up at the time of stock taking and the amount would be transferred to this account by the entry; Factory Overhead Dr./Material Account Cr., the amount being entered on the analysis sheet.

Form of Summary Pay Roll.

SUMMARY PAY ROLL									
All Departments		Half month ending June 15, 19—							
Dept. No.	Remarks	Direct		Indirect		General		Total	
		Hrs.	Amount	Hrs.	Amount	Hrs.	Amount	Hrs.	Amount
1	Chocolate Dept.....								
2	Taffy Dept.....								
	Office.....								
	Salesmen.....								
	Shipper.....								
	Storekeeper.....								
	Wages Check.....								
Checked.....		Entered.....		Approved.....		Pay Roll Dept.			
.....Cost Dept.		.....Clerk		.....		.....

These items of Factory Overhead cannot be charged directly to any unit, the whole of them must, however, be borne by the output for the period.

Various methods of distributing these expenses have been adopted. A common method is to calculate the percentage of the whole factory overhead for a period on the whole labour cost for the same period. thus

$$\frac{\text{Factory Overhead for Period}}{\text{Productive Labour cost for Period}} = \text{rate.}$$
 Then charge to every unit of output this per cent. of the labour cost of the unit.

Care must be taken to select the data from which the rate is obtained from average conditions in the factory and not from any unusual period.

Using the rate obtained as just described the overhead is charged to each account in the cost Ledger and is summarized and entered through the General Ledger; Work in Process Dr./Factory Overhead Cr.

If carefully obtained the rate should distribute all the overhead for a period to work in Process for the same period and to the accounts in the Cost Ledger for the same period.

We have now found the Factory cost of the output and it should be transferred from Work in Process account to Finished Goods account by the entry; Finished Goods Dr. Work in Process Cr.

Work in Process Account is the control account for the Cost Ledger and as the Factory Overhead is charged to Cost Ledger accounts it should be entered on the summary and the Cost Ledger accounts should then be transferred to the Finished Goods Ledger where the General overhead will be added. Goods produced are reported to the office by returning the order or by making a report of goods produced daily, which report is entered on a Summary to be totalled and posted at regular intervals.

Form of Summary of Goods Manufactured

Goods Manufactured		CHOCOLATE DEPARTMENT			
Month of ...		Crearms	Chocolates	Caramels	Bonbons
June	2	63 lbs.	38 lbs.	38 lbs.	105 lbs.
"	3	60 lbs.	50 lbs.	63 lbs.	79 lbs.
&c.		&c.	&c.	&c.	&c.
		<i>Total</i>	<i>Total</i>	<i>Total</i>	<i>Total</i>

GENERAL OVERHEAD

The expenses of selling and of administration must likewise be borne in due proportion by each unit of output. Like the Factory Overhead the items as bought or paid will find their way through Purchase book or Cash book and will be totalled by special columns. The totals from these columns will be posted to a General Overhead account in the General Ledger. The items may be collected under appropriate headings on an analysis sheet thus forming the General Overhead Ledger.

The General Overhead may be distributed to the accounts in the Finished Goods Ledger in the same manner as the Factory Overhead was, that is, by a percentage on Labour Cost, obtained by taking the whole of the General Overhead for a period on the labour cost for the same period. Or it may be distributed on the basis of Factory cost thus—

General Overhead for Period = rate, to be taken on Factory Cost per unit and added to cover General overhead.
Factory Cost for Period

Whichever method may have been decided upon, the overhead would be charged to each particular account in the Finished Goods Ledger, summarized and entered through the General Ledger; Finished Goods Dr./General Overhead Cr.

The rate used should distribute all the General Overhead for any period over the output for the same period.

In Set VII the Finished Goods Ledger will not be provided for but as the accounts are transferred from the Cost Ledger the general overhead will be added and the cost per pound ascertained. The overhead will be summarized and entered: Finished Goods Dr. General Overhead Cr. The Finished Goods will already have been transferred from Work in Process account by the entry: Finished Goods Dr. Work in Process Cr.

The Finished Goods account will now show the complete cost of all manufactured goods. The goods are transferred to the stock room and the stockkeeper must then account for all goods on hand at beginning and all goods produced during the period. An inventory of stock at close of the period will show the amount on hand and this deducted from the total cost of all the goods will leave the cost of the goods sold.

As shipped from stock the goods are credited to Finished Goods account and charged to Cost of Sales account by the entry: Cost of Sales Dr. Finished Goods Cr. This entry is made from the shipping order.

The invoices are sent out from the office charging customers and the entry is then made: Accounts Receivable Dr./Sales Account Cr.

Following this method the Finished Goods account becomes practically an inventory account, the balance being at any time the goods on hand.

The form of the Cost Ledger account below will be followed by General Ledger accounts showing the arrangement and content of the accounts already described. The Cost of Sales account is omitted as it will also be in Set VII, the cost of goods sold being carried directly from Finished Goods a/c to Sales a/c.

The chart on page 157 is intended to present a summary of the data and entries entering into the records of a plant having a cost accounting system.

Form of Cost Ledger Account—the form may be adapted either to continuous production or to contracts.

Customer	Stock Room	Order for	Creams	Order No.	
Address		To be completed	June 2, 19-	1	
Req. No.	Material	Labour	Overhead	Cost	
1	Amount				
	Sugar, 35 lbs. @ 7 1/2	= 2.63	Barker, 2 hrs. @ .60	= 1.20	Material 9.84
	Glasses, 1 1/2 lbs. @ 5 1/2	= .75	Cameron, 8 hrs. @ .60	= 4.80	Factory 8.75
	Nuts 6 lbs. @ .30	= 1.80	Mason, 8 hrs. @ .30	= 2.40	Labour 3.20
	Flouring 3 oz. @ 5 1/2	= .15			Boxes (6 5/8 lb.) 6.50
	Chocolate 12 @ .30	= 3.60			Fac. Overhead 1.68
	Cream 1/2 gals. 1.80	= .90			
		9.84			
				Fac. Cost. 21.52	
				Gen. Overhead 4.30	
				25.82	
				Amt. Produced 63 lbs.	
				Average price, 41 c	

EXERCISE

1. A client supplies the following information covering one year's operations: Sales, \$50,000. Total cost of sales made up as follows:—Selling expenses 20% c , administration expenses 12.5% c , cost of manufacturing 67.2% c . The net profit amounts to 15% c of the Selling Price. The Manufacturing Cost is made as follows:—Materials 45% c , Labour 35% c , Overhead 20% c . The inventories are as follows: Materials, Jan. 1st, \$7,000, Dec. 31, \$7,500; Finished Goods Jan. 1st, \$2,000, Dec. 31st, \$2,000; Material in Process, Jan. 1st, \$3,000; Labour in Process, Jan. 1st, \$1,600; Mfg. Expenses in Process, \$1,200. Charges during the year: Materials, \$12,352; Labour, \$9,796; Mfg. Expenses, \$5,512. Prepare Material, Manuf., Trading, Profit and Loss Accounts for your client.

2. A factory has three Depts., A., B. and C. The books for the year show:—Mat. used, Dept. A., \$27,900; Dept. B., \$32,375; Dept. C., \$56,350; Wages, Dept. A., \$20,000, Dept. B., \$25,900, Dept. C., \$30,000. The expenses for the year have been Rent of Office, \$2,700; Rent of Factory, \$3,300; Plant repairs, \$275; Cash Discount cost \$330; Depreciation of Plant, \$2,200; Office Expenses, \$1,435 Ht., Light & Power, Factory, \$2,100, Office, \$220; Int. & Disc. cost \$115; Salesmen's Sal., \$4,000, Off. Sal., \$3,000. Distribute the Factory Expenses among the Departments on the basis of Factory Wages, and the General Expenses on the basis of Factory Cost.

Find the cost per unit to manufacture in each department, given the number of units produced, Dept. A., 25,000, Dept. B., 30,000, Dept. C., 50,000.

3. At the close of 19— the books of Ye Olde Print Shop show the following summary for the year. Total output of the factory \$30,000; wages \$10,000; Office rent \$180; Factory rent \$350; Insurance \$240; Taxes \$900; Interest paid \$150; Office Salaries \$2,150; Salesmen's Salaries and Expenses \$1,850; Fuel Light and Power \$210. Allow 5% depreciation on Plant valued at \$6,000, and 15% on Type valued at \$2,000.

Make an estimate on the following job allowing for 10% profit on binding sub-let and 35% working profit:—One thousand wire stitched and paper bound catalogues, estimated cost of paper \$10, wages in printing department \$25, wages in lithographing department \$35, stitching and binding \$20.

RAW MATERIAL

19 Jan. Dec.	1 31	On hand..... Purchases.....	15720 94320 110040	19 Dec. " " 31	31 Issued from Stores..... Adjustment for Waste..... On hand.....	89760 440 19840 110040
19 Jan. Dec.	1 31	On hand.....	19840			

MANUFACTURING OVERHEAD

19 Jan. Dec. " " " " " "	1 31 31 31 31	Balance..... Purchases..... Depreciation of Plant..... Non-productive Labour..... Adjustment for Waste.....	120 7760 690 1160 440 20170	19 Dec. " " 31	31 Distributed as per Sum- mary Sheets..... Balance.....	20020 150 20170
19 Jan. Dec.	1 31	Balance.....	150			

WORK IN PROCESS

19 Jan. Dec. " " " "	1 31 31 31 31	Inventory..... Material from Stores..... Productive Labour..... Factory Overhead.....	8270 89760 59840 20020 177890	19 Dec. " " 31	31 Factory Cost of Finished Goods..... Balance down.....	168730 9160 177890
19 Jan. Dec.	1 31	Balance down.....	9160			

GENERAL OVERHEAD

19 Jan. Dec. " " " "	1 31 31 31 31	Balance..... Paid during year..... Discount off Sales..... Bad Debts Reserve..... Depreciation of Furn.....	275 12870 720 975 160 15000	19 Dec. " " 31	31 Distributed as per Sum- mary Sheet..... Balance down.....	14860 140
19 Jan. Dec.	1 31	Balance.....	140			

FINISHED GOODS

19 Jan. Dec. " " " "	1 31 31 31 31	On hand..... Factory Cost of Finished Goods..... General Overhead.....	7290 168730 21090 197110	19 Dec. " " 31	31 Cost of Sales..... Balance on hand.....	187990 9120 197110
19 Jan. Dec.	1 31	Balance down.....	9120			

SALES ACCOUNT

19 Dec. " "	31 31	Cost of Sales..... Net Profit.....	187990 37590 225580	19 Dec. " " 31	31 Net Sales.....	225580
19 Jan. Dec.	1 31					

Chart Showing Entries through Cost Accounts—

Item to be entered	First record	Summary for Posting	Journal Entry
MATERIAL—STORES.			
Purchases	Invoice	Purchase Book	Material Acct. Dr. To Accts. Payable
Issued to Factory.....	Material Requisition.....	Summary Material Used	Work in Process Dr. To Material Acct.
Returned from Factory.....	Return Slip.....	Summary Material Used	
Wastage.....	Comparison of actual Inventory with Material Ledger	Wastage report	Manuf. Overhead Dr. To Material Acct.
MATERIAL—DIRECT			
Purchases.....	Invoice	Purchase Book Column	Direct Material Dr. To Accts. Payable
Distribution	Direct Material Acct. should be kept in balance.....	Direct Material Summary	Work in Process Dr. To Direct Material
WAGES.			
Payments	Time Cards	Pay Roll	Pay Roll Acct. Dr. To Bank
Distribution.....	Workmen's Time Cards	Wages Summary	Work in Process Dr. Manuf. Overhead Dr. General Overhead Dr. To Pay Roll
DIRECT EXPENSES.			
Expenditures	Invoices	Purchase Book Column	Direct Expenses To Accts. Payable
Distribution.....	Direct Expense Acct. should be kept in balance.....	Direct Expense Summary	Work in Process To Direct Expenses
MANUF. OVERHEAD			
Expenditures.....	Bills, Invoices &c.	Purchase Book and Cash Book Columns	Manuf. Overhead To Bank or Accts. Pay.
Distribution.....	Usually on percentage basis	Mf'g. Expense Summary	Work in Process To Manuf. Overhead
GENERAL OVERHEAD			
Expenditures.....	Bills, Invoices, &c.	Purchased Book and Cash Book Columns	General Overhead To Bank or Accts. Pay.
Distribution.....	Usually on percentage basis	General Expense Summary	Finished Goods To Gen. Overhead
FINISHED GOODS			
Transfer to Stock Room..	Foreman's report or Production order returned...	Finished Goods Report	Finished Goods To work in Process
Completed Contracts	Returned Production order ..	Completed Contracts report	Cost of Goods Sold To Finished Goods
SALES FROM STOCK			
Shipments	Returned Shipping Order	Cost of Sales Summary	Cost of Goods Sold To Finished Goods
Charge to Customers	Invoice	Sales Summary	Accts. Rec'd / To Sales

SET VII

CANDY MANUFACTURING—COST FINDING

SPECIAL FEATURES—The books, forms and accounts incident to cost accounting in a factory having a uniform output of various lines in two departments.

INSTRUCTIONS

(a) **BOOKS TO BE USED.**—General: Material, Sales, Cash, Bill and General Journals. General, Purchase and Sales Ledgers. Special: Material Ledger, Cost Ledgers, Summary of Material Used, Summary of Goods Produced, Analysis sheets.

(b) The Material Journal will have columns for each kind of material used and for boxes. The Sales Book will have a column for each department and for totals.

(c) The Cash Book will have the same special columns as Set VI.

(d) The workmen's time cards need not be made out. The Department pay roll may be prepared from the Foreman's daily time report. The pay envelopes would be made up from the Department Pay Rolls and these may then be included in total in the General Pay Roll.

(e) Keep a Factory Overhead account and a General Overhead account in the General Ledger. Post to these from Special columns and obtain details by means of Analysis Sheets.

(f) The General Ledger will have a Work in Process account for each department which will prove with the Cost Ledger for the department. Separate accounts will also be kept for Finished Goods, and Sales in each Department.

(g) All containers will be entered under the heading "Boxes." The cost should be distributed as direct expenses to the various classes of goods produced.

DIRECTORY

This will be the same as for Set VI. with the addition of Dominion Bottle Co., Toronto.

LEDGERS

The Sales and Purchase Ledgers for Set VI. will be continued

Material Ledger—Two pages 4 accounts to the page.

Cost Ledgers — Chocolate Department 1 page 4 accounts.
Taffy Department 1 page 4 accounts.

General Ledger—Close out the Ledger of Set VI. as instructed and open account for Set VII. in the following order.

1. Petty Cash.	21. Accts Pay'le.	31. Freight-in.	41. Disc. off Pur.	51. Finished Goods
2. Travellers' Allowances.	22. B. Pay'le.	32. Material.	42. Disc. off Sales.	52. Finished Goods
3. Accounts Rec'le.	23. Capital Stock.	33. Boxes.	43. Insurance.	53. Chocolate Sales.
4. Bills Rec'le.		34. Pay Roll.	44. General Overhead.	54. Taffy Sales.
5. Real Estate.		35. Heat, Lt., & Power.		55. Profit & Loss.
6. Plant.		36. Fac. Overhead.		56. Appropriation of
7. Depreciation on Plant.		37. Work in Process Chocolate.		Profits.
8. Furniture.		38. Work in Process		
9. Depreciation on Furn.		Taffy.		
10. Insurance Prepaid.				
11. Reserve for Bad Debts.				

MEMORANDA OF TRANSACTIONS SET VII

June 1. The directors of the Ontario Biscuit and Confectionery Co., Limited, have recommended that the manufacture of Biscuits be discontinued, and that the plant for the output of confectionery be increased; also that the name of the Company be changed to the Ontario Confectionery Co., Limited. These recommendations have been approved by the shareholders, application has been made for power to change the name as recommended, and supplementary Letters Patent have been issued accordingly.

The Plant and stock of biscuits have been sold to James Robertson, the foreman of that department, who has formed a company to continue the business. He takes over the plant at \$3,000, and the stock of biscuits and material at 90 cents on the dollar of the inventory price and pays for the same by cheque. The bank account of the Ontario Biscuit and Confectionery Co. is transferred in the same bank to the Ontario Confectionery Co. and the cheque received from Mr. Robertson is deposited. The confectionery plant remaining is valued at \$1,500.

The Williamson Iron Works have completed the installation of an addition to the Confectionery Plant, costing \$2,000, and they have been paid by cheque.

The work is to be carried on in two departments for which the following hands have been employed.—

Chocolate Department: Henry Barker, foreman, at 75¢ an hour; C. Cameron, R. Lewis, J. Forbes, K. Hall, at 60¢ an hour, all beginning to-day; T. Mason, J. Walker, L. Black at 30¢ an hour, all beginning June 2.

Taffy Department: R. Ellis, foreman, at 70¢ an hour, R. Miller, L. Small, T. Jones, J. Price at 50¢ an hour, all beginning to-day; R. Knox and F. Sinclair at 25¢ an hour beginning June 2.

Student continues as bookkeeper at \$150 a month; W. Smith as storekeeper at \$100 a month. Miss M. Dunlop as stenographer at \$18 a week; J. Fraser as shipper at \$30 a week; A. Churchill and E. Summers as salesmen at \$150 a month.

Open the general and department pay rolls and enter the foregoing names. H. Barker's time is to be charged at 60¢ an hour as direct labour and at 15¢ an hour full time as overhead. R. Ellis's time is to be charged at 50¢ an hour as direct labour and at 20¢ an hour full time as overhead.

Make entries in the Journal of Set VI for all transactions relating to the re-organization. Post them, then close out the ledger and prepare a new balance sheet as after closing. Using this balance sheet make an opening journal entry for Set VII on a new page of the Journal. Post to the General Ledger ruled for Set VII and take off a trial balance.

The distribution of inventory items is as follows: Finished Goods on hand \$1200 is distributed to the Chocolate Department, Creams, 575 lbs., @ 40¢, \$230; Chocolate, 325 lbs., @ 40¢, \$130; Caramels, 450 lbs., @ 40¢, \$180; Bonbons, 600 lbs., @ 35¢, \$210; total \$750; to the Taffy Department, B. Scotch, 300 lbs., @ 35¢, \$105; Taffy, 250 lbs., @ 40¢, \$100; S. Candy, 400 lbs., @ 35¢, \$140; Ass. Tablets, 300 lbs., @ 35¢, \$105; total \$450. Material on hand, \$750, includes Sugar, 4632 lbs., \$330; Nuts, 266 lbs., \$60; Flavouring, 528 oz., \$30; Glucose, 1000 lbs., \$210; Chocolate, 120 lbs., \$120. Open accounts in the Material Ledger in the following order—Butter, Chocolate, Cream, Flavouring, Glucose, Nuts, Sugar. Enter the foregoing items.

Time is to be entered from the workmen's time cards on the Department Pay Rolls as follows—

Chocolate Department: Creams: Barker, 2 hrs.; Cameron, 8 hrs.; Chocolates: Barker, 2 hrs.; Lewis, 8 hrs.; Caramels: Barker, 2 hrs.; Forbes, 8 hrs.; Bonbons: Barker, 2 hrs.; Hall, 8 hrs. Taffy Department: Butter Scotch: Ellis, 2 hrs.; Miller, 8 hrs.; Taffy: Ellis, 2 hrs.; Small, 8 hrs.; Stick Candy: Ellis, 2 hrs.; Jones, 8 hrs.; Ass. Tablets: Ellis, 2 hrs.; Price, 8 hrs.

2. Arrangements have been made with the Milk Supply Co. to deliver milk and cream as required, the bill to be paid weekly. Price: milk, 33¢ a gal.; cream, \$1.80 a gal.

Receive the following invoice from the Standard Refining Co., May 30. $\frac{3}{10}$, $\frac{1}{60}$: 15 bbls. G. Sugar, 230-22, 285-21, 283-24, 282-20, 286-23, 280-22, 282-21, 283-24, 282-24, 281-22, 280-23, 285-21, 283-24, 280-22, 286-21 @ $7\frac{1}{2}$ ¢; 5 bbls. Glucose, 280 lbs. ea., @ $5\frac{1}{2}$ ¢.

These orders have been filled: R. Abbott, 30 da., 50 boxes Chocolates, 100 lbs., @ 50¢; 12 bxs. Ass. Creams, 60 lbs., @ 50¢; 10 bxs. Caramels, 20 lbs., @ 50¢.

A. W. Gage, 30 da., 6 drums Wr. Taffy, 90 lbs., @ 45¢; 10 tins Bu. Scotch, 70 lbs., @ 35¢; 5 drums S. Candy, 100 lbs., @ 35¢.

Pay L. Jordan & Co. by cheque for 4 tons Coke at \$10.00.

Pay for excise stamps in cash \$1.50.

Installed Office Furniture worth \$500 and paid for the same by cheque.

The foremen in the departments report for the day as follows.—

Creams: Material; Sugar 35 lbs., Glucose 14 lbs., Nuts 6 lbs., Flavouring 3 oz., Chocolate 12 lbs., Cream $\frac{1}{2}$ gals.

Labour—Barker 2 hrs., Cameron 8 hrs., Mason 8 hrs. *Produced*—63 lbs.

Chocolates: Material; Sugar 22 lbs., Glucose 7 lbs., Nuts 3 lbs., Flavouring $2\frac{1}{2}$ oz., Chocolate 7 lbs., Cream $\frac{1}{4}$ gal.

Labour—Barker 2 hrs., Lewis 8 hrs., Walker 4 hrs. *Produced*—38 lbs.

Caramels: Material; Sugar 22 lbs., Glucose 7 lbs., Nuts 3 lbs., Flavouring $2\frac{1}{2}$ oz., Chocolate 6 lbs., Cream $\frac{1}{4}$ gals.

Labour—Barker 1 hr., Forbes 8 hrs., Black 4 hrs. *Produced*—38 lbs.

Bonbons: Material; Sugar 76 lbs., Glucose 18 lbs., Nuts $5\frac{1}{2}$ lbs., Flavouring 4 oz., Chocolate 0, Cream 1 gal.

Labour—Barker 3 hrs., Hall 8 hrs., Walker 4 hrs. *Produced*—105 lbs.

Butter Scotch: Material; Sugar 31 lbs., Glucose 16 lbs., Nuts 0, Flavouring $2\frac{1}{2}$ oz., Chocolate 0, Cream 0, Butter 2 lbs.

Labour—Ellis 2 hrs., Miller 8 hrs., Knox 4 hrs. *Produced*—45 lbs.

Taffy: Material; Sugar 30 lbs., Glucose 10 lbs., Nuts 15 lbs., Flavouring 3 oz., Chocolate 0, Cream 0, Butter 1 lb.

Labour—Ellis 3 hrs., Small 8 hrs., Sinclair 4 hrs. *Produced*—50 lbs.

Stick Candy: Material; Sugar, 15 lbs.; Glucose, 6 lbs.; Nuts, 0; Flavouring, 2 oz.; Chocolate, 0; Cream, 0; Butter, 0.

Labour; Ellis 1 hr., Jones 8 hrs., Knox 4 hrs. *Produced* 20 lbs.

Assorted Tablets: Material; Sugar, 29; Glucose, 13; Nuts, 0; Flavouring, $2\frac{1}{2}$ oz.; Chocolate, 0; Cream, 0; Butter, 0.

Labour; Ellis, 2 hrs.; Price, 8 hrs.; Sinclair, 4 hours. *Produced* 45 lbs.

NOTE.—In giving the daily report hereafter, names will be omitted; amounts only will be given for the materials and in the same order as above. The employees will be designated by their number on the pay roll.

Barker 1, Cameron 2, Lewis 3, Forbes 4, Hall 5, Mason 6, Walker 7, Black 8, Ellis 9, Miller 10, Small 11, Jones 12, Price 13, Knox 14, Sinclair 15.

3. Receive the following invoices: Gordon King & Co., June 1, $\frac{3}{10}$, $\frac{2}{20}$, 2 gross Ass. Flavourings @ \$1.32 a doz.; 20 bxs. Chocolate, 24 lbs. ea., @ 30¢.

The Wilkinson Box Co., June 2, n/c, an invoice of boxes, \$95.70.

These orders have been filled: R. Rowe, 30 da., 40 bxs. Caramels, 80 lbs., @ 45¢; 20 bxs. Ass. Creams, 25 lbs., @ 45¢; 15 tins Bu. Scotch, 7 lbs. ea., @ 35¢.

W. J. Riddell, 30 da., 100 boxes Bonbons 200 lbs., @ 35¢; 6 drums Wr. Taffy, 15 lbs. ea., @ 45¢; 25 bxs. Caramels, 50 lbs., @ 50¢.

Receive from H. McConnell, his cheque for the amount of his bill of May 30, less disc.

Receive the following invoice: Dominion Bottle Co., Toronto, June 2, $\frac{3}{10}$, $\frac{2}{20}$, 125 glass containers at 30¢, charge to "Boxes" account.

The foremen of the departments report for the day.—

Creams: Material 21, 9, 3, 2, 9, $\frac{1}{2}$, 0; Labour 1-2, 2-8, 6-6. *Produced*—60 lbs.

Chocolates: Material 17, 7, 5, $1\frac{1}{2}$, 12, $\frac{1}{2}$, 0; Labour 1-2, 3-8, 7-5. *Produced*—50 lbs.

Caramels: Material 22, 9, 2, 10, $\frac{1}{2}$, 0; Labour 1-1, 4-8, 8-4, 6-2. *Produced*—63 lbs.

Bonbons: Material 27, 13, 3, $2\frac{1}{2}$, 0, $\frac{1}{2}$, 0; Labour 1-3, 5-8, 8-4, 7-3. *Produced*—79 lbs.

Butter Scotch: Material 32, 13, 0, $2\frac{1}{2}$, 0, 0, 2; Labour 9-2, 10-8, 14-4. *Produced*—45 lbs.

Taffy: Material 30, 10, 18, $3\frac{1}{2}$, 0, 0, 1; Labour 9-3, 11-8, 15-5. *Produced*—58 lbs.

Stick Candy: Material 15, 12, 0, $1\frac{1}{2}$, 0, 0, 0; Labour 9-1, 12-8, 15-3. *Produced*—27 lbs.

Assorted Tablets: Material 35, 16, 0, $3\frac{1}{2}$, 0, 0, 0; Labour 9-2, 13-8, 14-4. *Produced*—50 lbs.

Travellers report expenses for the week; Churchill, \$15.50; Summers, \$16.30.

5. Gave to Messrs. Churchill and Summers cheques, on account of travelling expenses, as reported.

Paid by cheque for a bill of Stationery received to-day from T. Nesbitt & Co., \$22.50.

These orders have been filled: W. R. Boyd, $\frac{3}{10}$, $\frac{2}{20}$, 50 bxs. Ass. Creams, 75 lbs., @ 50¢; 40 bxs. Chocolates,

60 lbs., @ 45¢; 10 tins Bu. Scotch, 7 lbs. ea., @ 35¢; 5 drums Wr. Taffy, 15 lbs. ea., @ 40¢; 20 bottles Ass. Tablets, @ \$1.75.

J. McDougall & Co., ² ₁₀, ¹⁰ ₂₀, 60 bxs. Caramels, 80 lbs., @ 50¢; 75 bxs. Bonbons, 90 lbs., @ 30¢; 4 drums S. Candy, 20 lbs. ea., @ 35¢.

The foremen report.—

Creams: Material 35½, 13½, 4½, 3½, 14, ½, 0; Labour 1-2, 2-8, 6-6. *Produced*—65 lbs.
 Chocolates: Material 24, 8½, 3½, 2, 7, ½, 0; Labour 1-2, 3-8, 7-4. *Produced*—40 lbs.
 Caramels: Material 25, 8½, 3½, 2½, 7, ½, 0; Labour 1-2, 4-8, 8-2, 6-2. *Produced*—42 lbs.
 Bonbons: Material 20½, 22½, 8½, 5½, 0, 1, 0; Labour 1-2, 5-8, 8-6, 7-4. *Produced*—110 lbs.
 Butter Scotch: Material 35, 16, 0, 3½, 0, 0, 2½; Labour 9-2, 10-8, 14-4. *Produced*—50 lbs.
 Taffy: Material 22, 9, 15, 2, 0, 0, 2½; Labour 9-2, 11-8, 15-5. *Produced*—45 lbs.
 S. Candy: Material 23, 10, 0, 2½, 0, 0, 0; Labour 9-1, 12-8, 15-3. *Produced*—35 lbs.
 Ass. Tablets: Material 30, 13, 0, 3, 0, 0, 0; Labour 9-3, 13-8, 14-4. *Produced*—43 lbs.

6. Receive the following invoice: P. W. Hill & Co., Toronto, June 5, n. c., 5 cases Walnuts, 50 lbs. ea., @ 30¢; 8 cases Almonds, 22 lbs. ea., @ 35¢; 8 cases Filberts, 22 lbs. ea., @ 27¢; 1 tub Butter, 60 lbs., @ 38¢. Receive from E. Walker and J. McDougall & Co., cheques for bills of May 26, less disc.

The bank reports the drafts on J. Hayes and G. Morrison collected and credited, less exchange 1%.

The note sent to H. Curtis for signature has been returned, properly signed.

These orders have been filled: R. Graham, 30 da., 20 bxs. Creams, 30 lbs., @ 40¢; 25 bxs. Caramels, 10 lbs., @ 50¢; 30 bxs. Bonbons, 48 lbs., @ 35¢; 6 drums S. Candy, 15 lbs. ea., @ 35¢.

E. Walker, ² ₁₀, ¹⁰ ₂₀, 25 bxs. Ass. Creams, 32 lbs., @ 50¢; 15 bxs. Chocolates, 22 lbs., @ 45¢; 25 bxs. Bonbons, 42 lbs., @ 35¢; 13 tins Bu. Scotch, 7 lbs. ea., @ 35¢; 6 drums Taffy, 15 lbs. ea., @ 40¢.

The foremen report.—

Creams: Material 33, 10, 4, 3½, 11½, ½, 0; Labour 1-2, 2-8, 6-5. *Produced*—58 lbs.
 Chocolates: Material 35, 10, 4, 3½, 12½, ½, 0; Labour 1-2, 3-8, 7-6. *Produced*—60 lbs.
 Caramels: Material 22, 7, 2½, 1½, 6, ½, 0; Labour 1-1, 4-8, 6-3, 8-1. *Produced*—37 lbs.
 Bonbons: Material 85, 23, 9½, 5½, 0, 1, 0; Labour 1-3, 5-8, 7-2, 8-7. *Produced*—120 lbs.
 Butter Scotch: Material 36, 16, 0, 3½, 0, 0, 2½; Labour 9-2, 10-8, 14-4. *Produced*—53 lbs.
 Taffy: Material 19, 7, 20, 3, 0, 0, 1½; Labour 9-2, 11-8, 15-4. *Produced*—50 lbs.
 S. Candy: Material 35, 15, 0, 3½, 0, 0, 0; Labour 9-2, 12-8, 14-4. *Produced*—48 lbs.
 Ass. Tablets: Material 35, 16, 0, 3, 0, 0, 0; Labour 9-2, 13-8, 15-4. *Produced*—50 lbs.

7. Pay a Telephone bill in cash, \$3.50.

These orders have been filled: G. Morrison, S/D with M S, 10 bxs. Caramels, 67 lbs., @ 50¢; 45 bxs. Creams, 70 lbs., @ 45¢; 7 tins Bu. Scotch, 7 lbs. ea., @ 35¢; 15 bottles, Ass. Tablets, @ \$1.75.

H. Curtis, note with M S, 10 bxs. Chocolates, 45 lbs., @ 45¢; 75 bxs. Bonbons, 110 lbs., @ 35¢; 7 drums Taffy, 15 lbs. ea., @ 40¢; 3 drums S. Candy, 15 lbs. ea., @ 35¢.

Pay the bill of the Wilkinson Box Co. of the 2nd.

Paid in cash for repairs in the factory \$4.25.

The foremen report.—

Creams: Material 42, 12, 4½, 3, 13, 1, 0; Labour 1-2, 2-8, 6-6. *Produced*—70 lbs.
 Chocolates: Material 25, 8, 3, 2, 9, ½, 0; Labour 1-1, 3-8, 7-4. *Produced*—45 lbs.
 Caramels: Material 36, 11½, 4, 3, 13, ½, 0; Labour 1-2, 4-8, 6-2, 8-3. *Produced*—67 lbs.
 Bonbons: Material 20, 23½, 9½, 5½, 0, 1, 0; Labour 1-3, 5-8, 7-4, 8-5. *Produced*—110 lbs.
 B. Scotch: Material 34, 15, 0, 3, 0, 0, 1½; Labour 9-2, 10-8, 14-4. *Produced*—48 lbs.
 Taffy: Material 19, 8, 19, 3½, 0, 0, 1½; Labour 9-2, 11-8, 15-4. *Produced*—47 lbs.
 Stick Candy: Material 31, 13, 0, 2½, 0, 0, 0; Labour 9-2, 12-8, 14-4. *Produced*—45 lbs.
 Assorted Tablets: Material 36, 16, 0, 3, 0, 0, 0; Labour 9-2, 13-8, 15-4. *Produced*—51 lbs.

8. This order has been filled: The Orris Turner Co., n. c., 100 bxs. Creams, 128 lbs., @ 50¢; 110 bxs. Chocolates, 113 lbs., @ 50¢; 70 bxs. Bonbons, 127 lbs., @ 35¢; 15 tins Bu. Scotch, 7 lbs. ea., @ 35¢; 2 drums Taffy, 15 lbs. ea., @ 45¢.

Pay P. W. Hill & Co. for bill of the 5th.

Draw on the Orris Turner Co. for the amount of the bill of May 23, at 30 days from that date, and leave with the bank for collection.

Pay by cheque the invoice of the Dominion Bottle Co., June 2, less discount.

The foremen report.—

Creams: Material 36, 11, 4½, 3, 12, ½, 0; Labour 1-1, 2-8, 6-6. *Produced*—63 lbs.
 Chocolates: Material 30, 11, 4, 2½, 10, ½, 0; Labour 1-1, 3-8, 7-6. *Produced*—55 lbs.
 Caramels: Material 33, 12, 4½, 2½, 11, ½, 0; Labour 1-2, 4-8, 8-4, 6-2. *Produced*—60 lbs.
 Bonbons: Material 91, 24, 11½, 7½, 0, 1, 0; Labour 1-4, 5-8, 8-4, 7-2. *Produced*—127 lbs.

Butter Scotch: Material 33, 14, 0, 2½, 0, 0, 2; Labour 9-2, 10-8, 14-4. *Produced*—49 lbs.
 Taffy: Material 22, 9, 20, 4, 0, 0, 1; Labour 9-1, 11-8, 15-3. *Produced*—51 lbs.
 Stick Candy: Material 32, 14, 0, 2½, 0, 0, 0; Labour 9-2, 12-8, 14-4. *Produced*—46 lbs.
 Assorted Tablets: Material 43, 19, 0, 4, 0, 0, 0; Labour 9-3, 13-8, 15-5. *Produced*—60 lbs.

9. This order has been filled: J. Hayes, draft with M/S, 90 bxs. Caramels, 123 lbs., @ 50¢; 75 bxs. Bonbons, 115 lbs., @ 30¢; 5 drums S. Candy, 20 lbs. ea., @ 35¢; 22 bottles Ass. Tablets @ \$1.75.
 The bank presents the S D of the Standard Refining Co. for the amount of their bill of May 30, less disc.
 Pay it by cheque.
 Receive from E. Walker, his cheque for the bill of May 30, less disc.
 Pay freight on Gordon King & Co.'s invoice of the 1st, \$4.45, and on the Standard Refining Co.'s invoice of May 30th, \$14.60.
 Distribute freight to the materials in proportion to their gross weight. Flavourings in boxes of half doz., weighing 3 lbs. per box.

The foremen report.

Creams: Material 33, 11, 5, 2½, 12, ½, 0; Labour 1-1½, 2-8, 6-6. *Produced*—65 lbs.
 Chocolates: Material 28, 9, 4, 2½, 10, ½, 0; Labour 1-1½, 3-8, 7-6. *Produced*—58 lbs.
 Caramels: Material 33, 11, 5, 2½, 11, ½, 0; Labour 1-1½, 4-8, 8-3, 6-2. *Produced*—63 lbs.
 Bonbons: Material 72, 26, 10, 7½, 0, ½, 0; Labour 1-3½, 5-8, 8-5, 7-2. *Produced*—115 lbs.
 Butter Scotch: Material 39, 19, 0, 3, 0, 0, 2; Labour 9-2, 10-8, 14-4. *Produced*—55 lbs.
 Taffy: Material 21, 8, 23, 3½, 0, 0, 2; Labour 9-2, 11-8, 15-4. *Produced*—53 lbs.
 Stick Candy: Material 40, 16, 0, 3½, 0, 0, 0; Labour 9-2, 12-8, 14-4. *Produced*—58 lbs.
 Assorted Tablets: Material 38, 12, 0, 3, 0, 0, 0; Labour 9-2, 13-8, 15-4. *Produced*—50 lbs.

10. Receive from the Wilkinson Box Co., an invoice of boxes, June 9, n/c, \$67.70.
 Remit to Gordon King & Co., a cheque for the amount of their invoice of the 1st, less disc.
 These orders have been filled: R. Abbott, 30 da., 40 bxs. Creams, 70 lbs., @ 50¢; 100 bxs. Bonbons, 126 lbs., @ 35¢; 13 bottles Ass. Tablets @ \$1.75.
 R. Rowe, 30 da., 30 bxs. Chocolates, 60 lbs., @ 50¢; 45 bxs. Caramels, 78 lbs., @ 50¢; 6 tins Bu. Scotch, 7 lbs. ea., @ 35¢; 4 drums Taffy, 15 lbs. ea., @ 45¢.
 Pay the bill of the Milk Supply Co. for cream used to the 9th.
 Pay by cheque the acceptance favour the Goldie Milling Co. due on the 12th.
 Mr. Summers hands in cash for R. Rowe's account and W. J. Riddell's account to date, and reports travelling expenses for the week, \$15.50.
 Mr. Churchill hands in cash for A. W. Gage's account and R. Abbott's account to date, and reports travelling expenses for the week, \$16.25.

Deposit all cheques and all cash on hand. Usual exchange.

The foremen report.—

Creams: Material 40, 12, 5, 3, 12, ½, 0; Labour 1-1½, 2-8, 6-7. *Produced*—70 lbs.
 Chocolates: Material 37, 10, 4½, 3, 11½, ½, 0; Labour 1-1½, 3-8, 7-6. *Produced*—62 lbs.
 Caramels: Material 46, 13, 5½, 3, 14, ¾, 0; Labour 1-2, 4-8, 8-4, 6-1. *Produced*—78 lbs.
 Bonbons: Material 84, 28, 13½, 7½, 0, 1, 0; Labour 1-3, 5-8, 8-4, 7-2. *Produced*—126 lbs.
 Butter Scotch: Material 32, 13, 0, 3, 0, 0, 1½; Labour 9-1, 10-8, 14-3. *Produced*—47 lbs.
 Taffy: Material 20, 10, 20, 3½, 0, 0, 1½; Labour 9-3, 11-8, 15-5. *Produced*—50 lbs.
 Stick Candy: Material 24, 11, 0, 1½, 0, 0, 0; Labour 9-1, 12-8, 15-3. *Produced*—33 lbs.
 Assorted Tablets: Material 47, 18, 0, 3, 0, 0, 0; Labour 9-3, 13-8, 14-5. *Produced*—65 lbs.

12. Give to Messrs. Churchill and Summers, cheques on account of travelling expenses, as reported.
 The bank reports R. Graham's acceptance due on the 10th, collected and credited, less 30¢.
 This order has been filled: B. Stewart, 2/10, 2/30, 110 bxs. Caramels, 144 lbs., @ 50¢; 99 bxs. Bonbons, 133 lbs., @ 35¢; 15 tins Bu. Scotch, 7 lbs. ea., @ 35¢; 5 drums S. Candy, 20 lbs. ea., @ 35¢; 24 bottles Ass. Tablets @ \$1.75.

The foremen report.—

Creams: Material 39, 12, 5½, 3, 13, ¾, 0; Labour 1-2, 2-8, 6-6. *Produced*—70 lbs.
 Chocolates: Material 34, 10, 4½, 2½, 10, ½, 0; Labour 1-1, 3-8, 7-5. *Produced*—60 lbs.
 Caramels: Material 39, 12, 5½, 3, 13, ¾, 0; Labour 1-2, 4-8, 8-4, 6-2. *Produced*—70 lbs.
 Bonbons: Material 94, 28, 13, 7½, 0, ½, 0; Labour 1-3, 5-8, 8-4, 7-3. *Produced*—133 lbs.
 Butter Scotch: Material 40, 17, 0, 3, 0, 0, 1½; Labour 9-2, 10-8, 14-4. *Produced*—55 lbs.

Taffy: Material 23, 10, 25, $3\frac{1}{2}$, 0, 0, 24; Labour 9-3, 11-8, 15-5. *Produced*—57 lbs.
 Stick Candy: Material 28, 12, 0, $2\frac{1}{2}$, 0, 0, 0; Labour 9-1, 12-8, 15-3. *Produced*—38 lbs.
 Assorted Tablets: Material 49, 21, 0, 3, 0, 0, 0; Labour 9-2, 13-8, 14-4. *Produced*—63 lbs.

13. Receive from P. W. Hill & Co. the following invoice, June 12, n. c: 4 c s Almonds, 22 lbs. ea., @ 35¢; 5 c s Filberts, 22 lbs. ea., @ 25¢; 3 c s Walnuts, 50 lbs. ea., @ 30¢; 1 tub Butter, 58 lbs., @ 38¢.

This order has been filled: J. Beck, 30 da., 120 bxs. Creams, 115 lbs., @ 45¢; 90 bxs. Chocolates, 132 lbs., @ 45¢; 112 bxs. Bonbons, 135 lbs., @ 35¢; 8 drums Taffy, 15 lbs. ea., @ 40¢.

Receive from the Orris Turner Co., their cheque for the amount of their bill of the 8th.

Paid for repairs to plant in cash \$3.50.

The foremen report.—

Creams: Material 42, 14, 6, $3\frac{1}{2}$, 14, $3\frac{1}{2}$, 0; Labour 1-1, 2-8, 6-6. *Produced*—75 lbs.
 Chocolates: Material 41, 12, 6, $3\frac{1}{2}$, 12, $3\frac{1}{2}$, 0; Labour 1-2, 3-8, 7-5. *Produced*—72 lbs.
 Caramels: Material 42, 13, 6, $3\frac{1}{2}$, 14, $3\frac{1}{2}$, 0; Labour 1-2, 4-8, 8-4, 6-2. *Produced*—74 lbs.
 Bonbons: Material 98, 28, 15, 8, 0, 1, 0; Labour 1-3, 5-8, 8-4, 7-3. *Produced*—139 lbs.
 Butter Scotch: Material 37, 16, 0, $2\frac{1}{2}$, 0, 0, 4; Labour 9-2, 10-8, 14-4. *Produced*—53 lbs.
 Taffy: Material 19, 8, 25, $3\frac{1}{2}$, 0, 0, 4; Labour 9-2, 11-8, 15-4. *Produced*—52 lbs.
 Stick Candy: Material 39, 16, 0, 3, 0, 0, 0; Labour 9-2, 12-8, 14-4. *Produced*—56 lbs.
 Assorted Tablets: Material 40, 18, 0, 3, 0, 0, 0; Labour 9-2, 13-8, 15-4. *Produced*—58 lbs.

14. This order has been filled: H. McConnell, $1\frac{1}{2}$ /₁₀, $\frac{8}{10}$ /₂₀, 90 bxs. Chocolates, 130 lbs., @ 55¢; 110 bxs. Bonbons, 160 lbs., @ 35¢; 16 tins Bu. Scotch, 7 lbs. ea., @ 35¢; 4 drums S. Candy, 20 lbs. ea., @ 35¢.

Pay the Wilkinson Box Co. for the bill of June 9th.

Receive from H. Curtis, a bank draft in payment of his note due to-day.

The foremen report.—

Creams: Material 38, 11, 5, 3, 11, $\frac{1}{2}$, 0; Labour 1-1 $\frac{1}{2}$, 2-8, 6-5. *Produced*—65 lbs.
 Chocolates: Material 38, 11, 5, 3, 12, $\frac{1}{2}$, 0; Labour 1-1 $\frac{1}{2}$, 3-8, 7-6. *Produced*—67 lbs.
 Caramels: Material 37, 10, 5, 3, 11, $\frac{1}{2}$, 0; Labour 1-1 $\frac{1}{2}$, 4-8, 8-3, 6-3. *Produced*—63 lbs.
 Bonbons: Material 113, 32, 15, $8\frac{1}{2}$, 0, $1\frac{1}{2}$, 0; Labour 1-3 $\frac{1}{2}$, 5-8, 8-5, 7-2. *Produced*—160 lbs.
 Butter Scotch: Material 42, 18, 0, 3, 0, 0, 2 $\frac{1}{2}$; Labour 9-2, 10-8, 14-4. *Produced*—60 lbs.
 Taffy: Material 22, 9, 28, $3\frac{1}{2}$, 0, 0, $2\frac{1}{2}$; Labour 9-2, 11-8, 15-4. *Produced*—59 lbs.
 Stick Candy: Material 38, 16, 0, 3, 0, 0, 0; Labour 9-2, 12-8, 14-4. *Produced*—54 lbs.
 Assorted Tablets: Material 43, 19, 0, $3\frac{1}{2}$, 0, 0, 0; Labour 9-2, 13-8, 15-4. *Produced*—61 lbs.

15. The following invoice has been received: The Standard Refining Co., June 12, $\frac{5}{10}$, $\frac{8}{10}$ /₆₀, 18 bbls. G. Sugar, 280-21, 282-19, 285-20, 284-21, 283-22, 282-21, 279-20, 285-23, 282-24, 286-22, 281-22, 282-21, 283-20, 285-21, 282-23, 284-22, 280-20, 282-19 @ $7\frac{1}{2}$ ¢; 6 bbls. Glucose, 280 lbs. ea., @ $5\frac{1}{4}$ ¢.

Paid freight by cheque on this invoice \$17.50.

Paid for postage and stationery in cash, \$15.20.

Pay the bill of "The Daily Standard" for advertising and printing, \$23.75.

This order has been filled: W. R. Boyd, $\frac{7}{10}$, $\frac{8}{10}$ /₂₀, 100 bxs. Caramels, 137 lbs. @ 45¢; 90 bxs. Creams, 130 lbs. @ 50¢; 90 bxs. Bonbons, 150 lbs., @ 35¢; 3 drums Taffy, 15 lbs. ea., @ 40¢; 24 bottles Ass. Tablets @ \$1.70.

Pay P. W. Hill & Co. for bill of the 12th. J. Beck paid his acceptance due to-day by cheque.

Receive from J. McDougall & Co., their cheque for the bill of the 5th, less 2%.

Deposit all cheques and all cash on hand. O.K. the petty cash and issue cheque.

Containers used: Creams, 422 bxs. @ 5¢; Chocolates, 465 bxs. @ 5¢; Caramels, 657 bxs. @ 5¢; Bonbons, 840 bxs. @ 5¢; B. Scotch, 107 tins @ 10¢; Taffy, 47 drums @ 30¢; S. Candy, 32 drums @ 30¢; Ass. Tablets, 118 bottles @ 30¢.

Transfer the cost of the foregoing containers from "Boxes" account to "Work in Process" account by
 Journal entry, also carry the amounts to the proper accounts in the "Cost" Ledger.

The foremen report.—

Creams: Material 40, 11, 5, 3, 12, $\frac{1}{2}$, 0; Labour 1-2, 2-8, 6-6. *Produced*—68 lbs.
 Chocolates: Material 37, 10, 4, 3, 11, $\frac{1}{2}$, 0; Labour 1-1, 3-8, 7-5. *Produced*—63 lbs.
 Caramels: Material 38, 14, 6, 3, 13, $\frac{1}{2}$, 0; Labour 1-2, 4-8, 8-4, 6-2. *Produced*—74 lbs.
 Bonbons: Material 108, 30, 14, 9, 0, $1\frac{1}{2}$, 0; Labour 1-3, 5-8, 8-4, 7-3. *Produced*—150 lbs.
 Butter Scotch: Material 41, 17, 0, 3, 0, 0, 2; Labour 9-2, 10-8, 14-4. *Produced*—58 lbs.

Taffy: Material 21, 9, 30, 4, 0, 0, 3; Labour 9-2, 11-8, 15-4. *Produced*—60 lbs.
 Stick Candy: Material 43, 18, 0, 3, 0, 0, 0; Labour 9-2, 12-8, 14-4. *Produced*—62 lbs.
 Assorted Tablets: Material 45, 20, 0, 3½, 0, 0, 0; Labour 9-2, 13-8, 15-4. *Produced*—65 lbs.

Complete the summaries of material used and manufactured goods produced to date.

Complete the Pay Rolls for the half month, and pay all wages to date.

Post up to date. Close the Cash Book. Post totals. Take a Trial Balance.

Make out the expense analysis sheets to date.

Prepare a statement of workshop expenses for the half-month; be careful to include in it any expenses accrued but not paid, and allow for one half-month's depreciation on the monthly basis adopted at the end of May. Enter the half-month's insurance expired.

Prepare in the same way a statement of general expenses.

Prepare the following statements: Cost by departments. Profit by departments. Assets and liabilities.

The factory overhead is to be charged to production at 20% on productive labor and general overhead at 20% on Factory Cost. (*These are first estimates only—suggest better rates.*)

Make the necessary journal entries to distribute Pay Roll, Factory Overhead, General Overhead, also to transfer waste.

Use the following inventories.

Goods: Creams, 602 lbs., \$225.75; Chocolate, 333 lbs., \$133.20; Caramels, 360 lbs., \$144.00; Bonbons, 638 lbs., \$159.50; B. Scotch, 169 lbs., \$50.70; Taffy, 177 lbs., \$70.80; S. Candy, 327 lbs., \$98.10; Ass. Tablets, 371 lbs., \$111.30.

Material: Sugar, 9,450 lbs., \$704.50; Glucose, 5,700 lbs., \$304.00; Nuts, 661 lbs., \$179; Flavouring, 774 oz., \$42.50; Chocolate, 190 lbs., \$141.00; Butter 66 lbs., \$25. Containers on hand, 845. Travelling Expenses accrued, \$16. Depreciation of Plant, 1½% on \$3,500; Add to the reserve for B. Debts 1% on a/c Rec'd. Allow depreciation of 1% on Office Furniture. Insurance prepaid, \$78.75. Close the books.

EXERCISE

1. The following tests have reference to the candy business, Set VII.

The foreman of the Chocolate Department reports the following tests made:

1. *Material used*—Sugar, 25 lbs.; Glucose, 10 lbs.; Chocolate, 10 lbs.; Cream, 1½ qts.; Flavouring, 5 oz.; Nuts, 10 lbs.; Boxes, 52 at 5 cents each.

Labour—Foreman, $\frac{1}{3}$ day at \$4; 2 dippers, each $\frac{2}{3}$ day at \$3; 1 packer, 1 day at \$1.

Amount produced, 52 lbs. Chocolate, Grade I.

Add the necessary percentages for factory expenses and general expenses and find the cost per pound.

2. *Material used*—Sugar, 25 lbs.; Glucose, 10 lbs.; Chocolate, 6 lbs.; Cream, 1½ qts.; Flavouring 5 oz.; Nuts, 6 lbs.; Boxes, 10 at 6 cents each.

Labour—Foreman, $\frac{1}{3}$ day at \$4; 1 dipper, 1 day at \$3; 1 packer, $\frac{1}{3}$ day at \$1.

Amount produced, 44 lbs. Chocolate, Grade II.

Add the necessary percentages and find the price per pound.

3. *Material used*—Sugar, 85 lbs.; Glucose, 15 lbs.; Nuts, 5 lbs.; Flavouring, 6 oz.; Cream, 1 gal.; Boxes, 75 at 5 cents.

Labour—Foreman, 2 assistants at 50¢ per hour, 1 assistant at 25¢ per hour, all for 1 day.

Amount produced, 105 lbs. Bonbons, Grade I.

Add the necessary percentages and find the price per pound.

2. The following Trial Balance was taken Dec. 31, 19—:

Cash on hand and in the Bank, \$425; Bills Receivable, \$360; Accounts Receivable, \$5840; Machinery, \$15500; Real Estate and Buildings, \$6750; Office Furniture, \$1260. Stock on hand, Jan. 1: Material, \$11500; Manufactured Goods, \$7650; Accounts Payable, \$1560; Bills Payable \$2790; Capital Stock, \$25000. Purchases: Material, \$27900; Manufactured Goods, \$3460; Sales, \$83900; Discounts off Purchases, \$475; Discounts to Customers, \$860; Freight inwards, \$1750; Royalties, \$650; Wages, \$21200; Heat, Light and Power, \$1290;

Rent of Office, \$1400; Commissions, \$1370; Travelling Expenses, \$890; Freight outwards, \$225; Insurance, \$520; Interest and Bank Charges, \$175; Delivery, \$410; General Expense, \$1160; Advertising, \$120; Bad Debts written off, \$760.

INVENTORY.—On hand Dec. 31: Material, \$12200; Manufactured Goods, \$7300. Provide 5% on Book Debts for Bad Debts. Write off 5% on Machinery and Office Furniture. Unexpired Insurance, \$210; Wages due, \$375.

A dividend of 6% on Capital Stock is declared.

Carry \$6000 to Reserve account, balance to the credit of Profit and Loss account.

(a) Make out Manufacturing Account, Trading Account, Profit and Loss Account, Appropriation Account, Balance Sheet. Enter percentages throughout.

(b) Calculate the percentage of Workshop Expenses on Wages.

(c) Calculate the percentage of General Expenses on Wages.

3. Following is a summary of the Thompson Printing Co.'s business for the year 19—:

Material used, \$17600. Productive wages, \$12400; Foreman's salary, \$1850; Office Rent, \$480; Factory Insurance, \$120; Factory Taxes, \$150; Interest, \$70; Heat, Light, & Power, \$460; Office help and expenses, \$1750, an allowance for depreciation of 5% on Plant valued at \$12000 and of 12% on Type valued at \$3500.

(a) From the above data determine—i Prime Cost; ii Factory Cost; iii Complete cost of output.
(b) Using these results show—i The actual cost, and ii the manufacturer's price for 1000 copies of a book allowing the manufacturer a 25% profit. The following estimates were submitted by the foreman. Cost of paper and binding material \$120; preparation of cuts, \$50; wages Printing Dept. \$70; wages Binding Dept., \$60.

4. The following data is taken from the books of the Ontario Foundry, Dec. 31, 19—:

Cash on hand, \$500; Accounts Receivable, \$73850; Patents cost, \$5000; Tools cost, \$12500; Material on hand Jan. 1, \$20000; Office Furniture, \$2000; Patterns cost, \$16500; Premises, (Office) \$25000; Plant and machinery, \$14000; Freight inwards, \$4000; Finished Goods, Jan. 1, \$25000; Purchases, \$70000; Wages, \$59000; Sales, \$200000; Royalties cost \$1000; Bond interest \$4500; Directors' Fees, \$500; Office Expenses, \$2250; Office Salaries, \$7000; Taxes on Plant, \$1300; Advertising, \$1250; Heat, Light, and Power, \$2250; Repairs to Plant, \$4000; Salaries of Salesmen, \$8000; Reserve for Bad Debts, \$1000; Bad Debts, \$1100; Bank Overdraft, \$4500; Accounts Payable, \$35000; Capital Stock, \$75000; Bond issue, \$75000, bearing interest at 6%.

Allow for depreciation as follows: Premises, 3%; Plant and machinery, 10%; Patterns, 10%; Patents, 10%; Office Furniture, 5%. Carry forward, 5% of accounts receivable for possible bad debts. Finished goods, Dec. 31, valued at \$26500; Material, \$21000; Tools \$11500.

It is proposed to declare a dividend of 5% and carry the balance to Profit and Loss account.

(a) Make out a Manufacturing Account, Trading Account, Profit and Loss Account, Appropriation Account, and Balance Sheet. Enter percentages throughout.

(b) Calculate the percentage of Workshop Expenses on Wages.

(c) Calculate the percentage of General Expenses on Wages.

(d) Job No. 175 is an order for a Vertical Engine, and the cost account shows: Material used, Frames, Chest, Corner, Base &c., Cast Iron, \$23.50; Lubricators, &c., Brass, \$6.02; Bearings, Brass, \$1.62; Crank Shatt, Wrought Iron, \$1.56; Steel Rod, 68 cents; Nuts, Caps, Screws, &c., Steel, 39 cents; Babbitt, \$1.75.

Labour: Patterns, \$15.25; Drawings, \$4.32; Lathe, \$49.10; Forging, \$10.12; Fitter, \$19.60; Helper, \$6.25.

Add the necessary percentages for workshop and general expenses, and find:

i. Prime Cost.

ii. Complete Cost, including selling expenses.

iii. Selling Price, reckoning 12½% profit on Sales.

SHIPPING AND COMMISSION BUSINESS

It frequently happens that goods are sold by one person for the account of another. The person selling the goods is called the agent, or shippee, or consignee. The person shipping the goods is called the principal, or shipper, or consignor. The goods are called by the shipper a shipment; by the agent a consignment. As the names indicate, the goods belong to the shipper till sold by his agent, when the agent becomes responsible for the proceeds. The agent is paid for his services at a certain rate per cent. on the sales; this is called his commission.

When the goods are shipped, an invoice is sent to the agent; but since the goods remain the property of the principal, the form of the invoice is different from that ordinarily used.

FORM OF INVOICE OF SHIPMENT

Invoice of Goods shipped June 1, 19—, per G.T.R., and consigned to *A. Smith*, Toronto, to be sold on account and risk of the consignor.

	15/24 crates Strawberries						05	18			
	20/10 baskets Cherries						75	15			
	Freight paid								75	33	75
<i>H. ANDERSON,</i> <i>Consignor.</i>											
<i>St. Catharines,</i> <i>June 1, 19—.</i>											

When the goods have been sold, the agent reports sales showing charges paid on account of the shipment, and including his own charge or commission for selling. The balance, after these charges have been deducted, is called the Net Proceeds, which may be remitted with the account of the sales, or may be credited to the shipper. What is done with the proceeds should be made known to the shipper when the sales are reported, and for this purpose a form letter is frequently attached to the Account Sales.

FORM OF ACCOUNT SALES

Below please find Account of Sales of Fruit received June 2, 19—, *via* G.T.R., and sold for account and risk of *H. Anderson*.

		SALES.									
Ju.	2	15/24 crates Strawberries							06	21	60
"	3	20/10 baskets Cherries						00	20	60	41 60
CHARGES.											
<i>Cartage</i> <i>Commission (4%)</i>											
1 25											
1 66											
1 91											
<i>Net Proceeds</i>											
39 69											
<i>Cheque enclosed for net proceeds, as above.</i>											
<i>A. SMITH,</i> <i>Consignee.</i>											
<i>Toronto,</i> <i>June 4, 19—.</i>											

NOTE.—Account Sales may be rendered at any time, whether the whole consignment has been sold or not. In a fruit commission business, report should be made every evening, and settlement may be made weekly, or at such regular intervals as may be agreed upon.

BOOKS USED BY A COMMISSION AGENT

When goods are received by a commission agent they are entered in a Receiving Book. The consignments are numbered consecutively, and charges are entered which are later posted to the debit of the consignment account. These charges are usually express, freight or cartage, all of which may be classed together as freight. At the end of the month the total is posted to the credit of freight account. When the freight bills are paid they are entered through the cash book and posted either by items or in total at the end of the month to the debit of freight, thus balancing out the freight entered from the Receiving book.

FORM OF RECEIVING BOOK

TORONTO, JUNE 1, 19—

Consignment No.	L.F.	Name and Particulars	Charges
1		<i>H. ANDERSON, St. Catharines</i> 21	
		15 24 crates Strawberries	
		20/10 baskets Cherries	
		Cartage - - - - -	25
15			
2		<i>B. HENDERSON, Welland</i> 37	
		20 24 crates Raspberries	
		25/24 " Strawberries	
		30/10 baskets Cherries	
		G.T.R. Freight - - - - -	3 75
15		Cartage - - - - -	50
		Freight - - - - -	3 Cr. 50

THE SALES

The record of sales must be kept in such a way as to show not only who is to be charged in the case of credit sales, but also, in every case, what consignment is to be credited. For this purpose, either the name of the shipper, or a number assigned to him at the beginning of the season, is stamped or otherwise marked by the shipper on every "piece" of every shipment. The sales are credited to the proper account by means of this number or mark.

Cash sales may be entered in a Cash Sales book, the total of which is transferred to the general cash book at the close of the day, or all sales may be entered in the same book, special columns being provided for credit sales.

Instead of a book the ordinary counter checks may be used, and these should be arranged into cash and credit parcels, and recapitulated daily.

In a fruit business it is desirable that sales should be reported daily, and if the consignments for the day have not been sold out, the balance may be taken to the agent's account at a price determined by the market for the day, and the whole shipment reported.

BOOKKEEPING

CHARGE SALES BOOK

TORONTO, JULY 2, 19—

Consignor No.	Led. Fol.		Total	DISTRIBUTION			
				Com. Sales	Mdse. Sales		
<i>SIDNEY SMITH, 44 Dupont St.</i>							
21		10/24 crates Strawberries	.06	14	40	14	40
37		15/24 " Raspberries	.10	36		36	
37		10/10 baskets Cherries	1.00	10		10	
				60	40		
<i>HENRY ARCHER, 25 Macpherson</i>							
21		10/10 baskets Cherries	1.00	10		10	
		5/24 crates Raspberries	.10	12			12
				22			
<i>JOHN MITCHELL, 24 Walker</i>							
37		5/24 crates Raspberries	.10	12		12	
		10/10 baskets Cherries	1.00	10			10
21		15/24 crates Strawberries	.06	21	60	21	60
				43	60		
				126	104		
Mdse.				Cr.			22

THE CONSIGNOR'S ACCOUNT

The Consignor's account may be kept as a personal account under the title, —'s Consignment Account, in the General Ledger, or a Consignment Ledger may be kept.

If the Consignment Ledger is kept, a controlling account should be kept in the general ledger, called Consignment Ledger Account, just as Accounts Receivable account was kept for the Sales Ledger accounts.

Reports should be made to the consignor at regular intervals, or after the sale of each consignment. In any case, the net proceeds should either be remitted, or credited to the consignor in his personal account.

Form of Consignment Account.

H. ANDERSON'S CONSIGNMENT

(page) 1

<i>Ju.</i>	<i>2</i>	<i>Cartage</i>	—	—	—	25	<i>Ju.</i>	<i>2</i>	—	—	—	06
"	4	Commission, 4%	—	—	—	1	"	2	10/10 Cherries	—	1	.00
"	4	Net Proceeds	—	—	13	39	69	2	15/24 Strawberries	—	.06	10
								2	10/10 Cherries	—	.00	21
								2		—	10	60
										—		41
										—		60
<i>Ju.</i>	<i>5</i>	<i>Freight</i>	—	—	—	3	<i>Ju.</i>	<i>5</i>	20/24 Raspberries	—	1	10
"	5	Cartage	—	—	—	70	"	6	10/10 Cherries	—	.00	48
"	8	Commission	—	—	—	3	"	8	15/24 Strawberries	—	.06	10
"	8	Net Proceeds	—	—	13	72	02			—	.00	21
										—		60
										—		79
										—		60

BOOKS REQUIRED FOR THE SHIPPER

Shipping Book.—Corresponding to the Receiving book of the agent is the Shipping book of the principal. The form of the entry is the same, the posting is different. The total of the entry is posted to the debit of a shipment account, and the total of the shipments for the month is posted to the credit side of Mdse.

The charges paid are usually entered in the Shipping book as a memorandum, but they are posted to the shipment account from the Cash book.

No other special book is necessary, unless the number of shipments is large and a Shipment Ledger is kept.

SHIPMENT ACCOUNT

The Shipment account is named by the person to whom the goods are shipped; thus, "Ship't to Henry Brown, No. 1."

The account is charged with the cost of all goods and all charges paid on account of it. When the account Sales is received, the Shipment account is credited with the net proceeds. It is, therefore, like Merchandise account, a Loss and Gain account, and, like Merchandise account, it will be closed by entering on the credit side, as inventory, the part of the shipment not reported by the agent, and it will then be closed to Loss and Gain.

SHIPMENT ACCOUNT

SHIPMENT TO HENRY BROWN, No. 1

19—

19—

Sept.	24	soon bu. wheat	85	3400	Sept.	30	Cash	-	-	-	1850
		Elevator chg's		40	*	30	Not reported	-	-	-	
		Cartage		30			2000 bu.	-	-	-	1735
*	" 30	Gain		115							
				3585							3585
Oct.	1	Not reported			Oct.	10	Cash	-	-	-	2000
		2000 bu.									
*	" 10	Gain		165							165
				1900							

TRANSACTIONS JOURNALIZED

Dec. 15. J. D. Williams, Toronto, ships to H. Brown, Montreal, 1000 bu. wheat at \$1.50 and pays freight 3¢ a bu. on cash.

Dec. 20. Brown receives the wheat and pays elevator charges 1¢ a bu. in cash.

Dec. 22. Brown sells the wheat at \$1.75 for cash and reports. The present charges are: Storage 2¢ a bu. and Commission 3%. Proceeds are credited.

Dec. 26. Brown remits a bank draft, exchange $\frac{1}{10}\%$ in settlement. Williams receives the report and draft in due course.

J. D. Williams' Entries
Dec. 15

Shipped to H. Brown No. 1.....Dr. 1530.
To Wheat.....1500.
Cash.....30.

Dec. 24

H. Brown.....Dr. 1667.50
Ship to H. Brown No. 1.....1667.50

Dec. 28

Cash.....Dr. 1665.83
Expense.....Dr. 1.67
To H. Brown.....1667.50

H. Brown's Entries
Dec. 20

J. D. Williams Consigt. No. 1.....Dr. 10.00
To Cash.....10.00

Dec. 22

Cash.....Dr. 1750.
To Williams Consigt. No. 1.....1750.

Dec. 22

Williams Consigt. No. 1.....Dr. 1740.
To Storage.....20.

Commission.....52.50

J. D. Williams.....1667.50

Dec. 26

J. D. Williams.....Dr. 1667.50
To Cash.....1667.50

SET VIII

SHIPPING AND COMMISSION BUSINESS

INSTRUCTIONS

(a) BOOKS TO BE USED.—Shipping Book, Receiving Book, Sales Book, Journal, Cash Book, Ledger.
(b) The ruling of the books may be as in the illustrations given in the text, or as the teacher may direct. Separate books may be kept for Cash Sales and Credit Sales. The Ledger may be in one book or it may be subdivided into General, Purchase, Sales, Shipment, Consignment. The special columns in the Cash Book must be made to correspond with the divisions of the Ledger.
(c) Commission at the rate of 15 per cent., unless otherwise directed.
(d) The number beside the name in the directory is the number assigned to that shipper, and is stamped on all his shipments.

DIRECTORY

<i>Briggs Safe Co., Galt.</i>	<i>Palmer, T., Montreal.</i>
<i>Brown & Co., W. G., Oakville.</i>	<i>Simpson, T. R., 57 Smithville.</i>
<i>City Market Co., Montreal.</i>	<i>Smith & Co., Chas., 34 Montreal.</i>
<i>Glover, C. E., 42 St. Catharines.</i>	<i>Stevenson & Bro., Jas., Toronto.</i>
<i>Green, J. W., Oshawa.</i>	<i>Thompson, H. L., 17 Niagara Falls.</i>
<i>Harding & Co., F. W., Toronto.</i>	<i>Warner, S., Peterboro'.</i>
<i>Harris & Co., Wm., Toronto.</i>	<i>Winters & Co., John, Toronto.</i>
<i>Hunt & Co., D., 25 Buffalo.</i>	<i>Woodard & Co., T., Kingston.</i>
<i>Keene & Co., John, 9 Montreal.</i>	<i>All others, Toronto.</i>
<i>Morgan & Co., R., Montreal.</i>	

MEMORANDA OF TRANSACTIONS

Toronto, Sept. 1, 19—. J. D. Williams commences a Fruit and Produce Commission Business at 125 Colborne St., where he has leased an office and warerooms at \$600 per year. He invests cash, \$5000, and engages student as bookkeeper at \$15 a week; M. B. Smith and F. Andrews as salesmen at \$10 a week each.
Pay rent for one month in cash.

2. Bought on account from John Winters & Co., office stationery, \$27.43. Deposit in the Merchants Bank, \$4500.

4. Bought for cheque, 1 desk, \$37.50, and other office furniture, \$22.35.
Bought on account from the Briggs Safe Co., a safe for \$125.
Received from C. E. Glover, for sale on his account, 90/10 baskets Peaches, 75/6 baskets Grapes.
Paid transportation charges in cash, \$3.25.

5. Received from John Keene & Co., to be sold on their account, 25 crates Onions. Freight not paid, \$6.75.
Sold to F. W. Harding & Co. from Glover's consignment of the 4th, 80 baskets Peaches at 75 cents, 60 baskets Grapes at 25 cents. Took to our account the remainder of Glover's consignment at the above prices, and reported the sale; proceeds credited.
Paid petty expenses in cash, \$3.19.

6. Bought from T. Palmer, Montreal, 25 bxs., 1 doz. cans each, Cove Oysters, at 8c a can ; 50 bxs., 1 doz. cans each, Little Neck Clams, 8c. a can. Terms 30 da.
8. Received from H. L. Thompson, to be sold on his account, 200 crates Tomatoes ; 100 baskets Peaches ; 200 baskets Plums. Freight not paid, \$16.
- Received from C. E. Glover, to be sold on his account, 100/10 baskets Grapes ; 90/8 baskets Peaches. Carriage \$5.75, not paid.
9. Bought from J. W. Green on account, 150 bbls. Apples at \$1.50 and shipped them direct to R. Morgan & Co., to be sold on our account. Freight charges paid by cheque, \$17.50. Sold to Jas. Stevenson & Bro. the whole of C. E. Glover's consignment of the 8th, Grapes at 60 cents, Peaches at 65 cents, and reported the sale ; proceeds credited.
12. Received from D. Hunt & Co., to be sold on their account, 10 bbls., 250 Melons ; 50 crates Cucumbers ; 200 crates Tomatoes ; 170 bbls. Apples ; 12 bbls. Onions ; 250 bags Potatoes. Freight and drayage unpaid, \$37.60. Duty paid in cash, \$70. Remitted to C. E. Glover a cheque for the amount due him.
13. Received from T. R. Simpson, to be sold on his account, 60 10 baskets Plums ; 100/10 baskets Tomatoes. Freight unpaid, \$3.10. Sold to James Stevenson & Bro., 15 crates Bermuda Onions @ \$2.40 ; 25 bxs. Little Neck Clams @ 14c. a can ; 45 baskets Peaches @ 90c. ; 60/10 baskets Plums @ 60c. (57). Sold to Wm. Harris & Co., 25 bxs. Cove Oysters @ 17c. ; 25 crates Cucumbers @ \$4.95 : 10 crates Bermuda Onions @ \$2.40 ; 100 baskets Tomatoes @ 40c. (57). Cash Sales : 10 baskets Plums @ \$2.25 : 10 baskets Peaches @ 75c. ; 15 baskets Grapes @ 25c.
14. Received from Chas. Smith & Co., to be sold on their account, 200 bags Sweet Potatoes ; 300 boxes Oranges. Freight and drayage, \$19.84. Reported T. R. Simpson's consignment of the 13th ; proceeds credited.
15. Paid John Winters & Co.'s account by cheque. Paid petty expenses in cash, \$4.98 ; wages, \$75.82. Post and take a trial balance.
16. Shipped to S. Warner & Co., to be sold on our account, 200 bags Sweet Potatoes (Smith's consgt.) which we have taken to our account, at 90c. Paid drayage in cash, \$7.40. Received from T. R. Simpson, to be sold on his account, 75 10 baskets Plums ; 150/10 baskets Tomatoes. Freight unpaid, \$5.60.
18. Shipped to T. Woodard & Co., to be sold on our account, 170 bbls. Apples (Hunt's consgt.). Paid drayage in cash, \$14. Sold to Wm. Harris & Co., from Simpson's consignment of the 16th, 60 baskets Plums at 60c. ; 140 baskets Tomatoes at 35c. Took the remainder of Simpson's consignment to our account at the above prices. Reported the consignment. Proceeds credited.
19. Bought from W. G. Brown & Co., 500 crates Strawberries at \$2 a crate. Shipped these Strawberries to Montreal to the City Market Co., to be sold on our account. Paid freight in cash, \$19.30. Remitted to T. Simpson, a cheque for the amount of his account.
- Received from C. E. Glover, to be sold on his account, 150 8 baskets Peaches, 200/6 baskets Grapes. Paid freight by cheque, \$7.25.
20. Sales this day: Jas. Stevenson & Bro., 25 bxs. Little Neck Clams @ 16c. ; 200 crates Tomatoes @ \$2 (Thompson's) ; 90 baskets Plums @ \$2.15. Wm. Harris & Co., 100 baskets Plums @ \$2.15 ; 55 baskets Peaches @ 90c. ; 5 bbls. Melons (125) @ \$4.20 a barrel.

F. Harding & Co., 25 crates Cucumbers @ \$4.80; 200 crates Tomatoes (Hunt & Co.) @ \$2.25; 12 bbls. Onions (Hunt & Co.) @ \$9.37.

Cash Sales: 1 bbl. Melons @ \$5; 150/8 baskets Peaches @ 90c.; 200/6 baskets Grapes @ 30c.

22. Deduct our commission of 15% and expenses, and send cheques for net proceeds to John Keene & Co., and to H. L. Thompson.

Reported C. E. Glover's shipment of the 19th. Proceeds credited.

23. Paid Briggs Safe Co. by cheque for the safe.

Received from C. E. Glover, for sale on his account, 125/10 baskets Grapes; 140/10 baskets Peaches. Freight unpaid, \$6.60.

25. Accepted J. W. Green's draft on us at 20 days for the bill of the 9th.

Received from R. Morgan & Co., a statement of sales, showing \$295 placed to our credit. Drew on them at sight for the amount and discounted the draft at the bank; proceeds credited. Discount, \$1.40.

Cash Sales this day: 125/10 baskets Grapes @ 50c.; 140/10 baskets Peaches @ 90c.

Reported C. E. Glover's consignment of the 23rd. Proceeds credited. Deposit all cash but \$100.

26. Received from S. Warner & Co. an account sales, with cheque, \$204, for the net proceeds of our shipment to them on the 16th.

Received from T. R. Simpson, for sale on his account, 120/8 baskets Plums; 200/10 baskets Tomatoes. Freight unpaid, \$7.20.

27. Sales this day: F. W. Harding & Co., 250 bags Potatoes (Hunt's) @ 95c. Cash Sales: 4 bbls. Melons @ \$4.50; 120/8 baskets Plums @ 50c.; 200/10 baskets Tomatoes @ 25c.

Reported T. R. Simpson's consignment of the 26th: cartage 75c. Proceeds credited.

28. Received from T. Woodard & Co., an account sales of our shipment to them on the 18th. Proceeds, \$214.93, remitted by cheque.

29. Received from the City Market Co., an account sales of our shipment to them on the 19th. They enclosed cheque for the net proceeds, \$1543.80.

Received from T. R. Simpson, for sale on his account, 200/10 baskets Tomatoes; 150/8 baskets Plums. Freight unpaid, \$7.75.

30. Sales this day: Jas. Stevenson & Bro., 150 bxs. Oranges @ \$3.15; 100/10 baskets Tomatoes @ 25c.; 50/8 baskets Plums @ 60c. Cash Sales: 100/10 baskets Tomatoes @ 25c.; 100/8 baskets Plums @ 60c.

Reported T. R. Simpson's consignment of the 29th. Proceeds credited.

Received the following cheques on account: Jas. Stevenson & Bro., \$73.80; Wm. Harris & Co., \$175; F. W. Harding & Co., \$275.

Gave our cheque to cover freight and cartage for the month.

Deducted our commission of 15% and warehouse charges, \$4.20, and sent a cheque to Hunt & Co. for the net proceeds of their consignment.

Accepted T. Palmer's draft at 10 days in full of his account. Deposit all cash but \$100.

Post up to date. Take a Trial Balance. Make out the Financial Statement. Close the books.

INVENTORY

Wages unpaid	\$—
Office Furniture on hand	50
Safe, valued at	120

SPECIAL COLUMN JOURNAL

The principle of special columns may be applied to the General Journal as it is to other posting books.

The use of this Journal is commonly restricted to the opening entry and adjusting entries. It may, however, also contain routine entries of infrequent occurrence not provided for in special books. If these entries affect a subordinate ledger, they must either be posted to both ledgers by items or be provided for by special columns. The latter is the more satisfactory way of dealing with them.

Two methods of arrangement are common:

1. Entries and explanations are written on the left hand side of the page and the columns are placed to the right in convenient grouping.

2. Entries and explanations are written in the middle of the page with the debit columns to the left and the credit columns to the right. See illustrations below.

Such special columns as referred to above do not fix the limit of their use in this book. Indeed special columns may be provided so that all transactions of the business may be passed through the general journal. It then becomes a synoptic journal. The book is, however, unwieldy, and it does not permit a convenient distribution of the work. It is not generally recommended.

Form No. 1

FEBRUARY 14, 19—

Form No. 2

FEBRUARY 11, 19

B. Rec. Dr.	Accts. Pay. Dr.	General	L.F.	Entries and Explanations	General	Accts. Rec. Cr.	B. Pay. Cr.
				<i>C. M. Jones this day begins business investing.</i>			
	10000		C	<i>Cash</i>			
	1000		✓	<i>Furniture & Fixtures</i>			
			✓	<i>For Assets invested</i>	<i>C. M. Jones</i>	11000	
					9		
				<i>Mdse. Sales.</i>			
			✓		<i>C. Brown</i>		
			✓	<i>Return 100 yds. Ribbon @ .92</i>		92	
					15		
325				<i>B. Rec'de</i>			
			✓		<i>R. Williams</i>		
			✓	<i>B. R., at 30 da., on acct.</i>		325	
					25		
	250			<i>B. Hunter</i>			
			✓		<i>B. Pay'l'e.</i>		
			✓	<i>B. P. on account.</i>			
325	250	11092					
		250	✓	<i>Accts. Pay.</i>			
		325	✓	<i>B. Rec'de.</i>			
			✓		<i>Accts. Rec.</i>		
			✓		<i>B. Pay'l'e.</i>		
					115		
					250		
		11667					
					11667		

VOUCHER

For...

Date	Voucher No.	Creditor	Terms	Paid by	
				Check or B. Pay.	No.

FORM 1.

The tendency of modern accounting is to adopt such forms and methods as will reduce the work of the bookkeeper. One such method is that known as the Voucher System which makes it possible to dispense with the Purchase Ledger. This method may be used by firms which

- (a) Pay all accounts payable with reasonable promptness;
- (b) Make each payment cover one or several purchases.

In this system the place of the Purchase Journal is taken by the Voucher Register, the form of which is shown above. The headings suggested would be suitable for a manufacturing business such as is illustrated in Set VI. The form may be varied to suit any business.

There is no Purchase Ledger, but a summary account would be kept in the General Ledger, as "Vouchers Payable" account.

REGISTER

19..

Amt. of Voucher	Freight Duty Brokerage		Total Cost	Distribution				
				Material	Boxes	Account	C.K.	Amt.

FORM 2.

\$137.76	Cheque No. 22 Voucher No.
	June 20
GORDON KING & CO.	
One hundred and thirty-seven <u>76</u> <u>xx</u>	
Payment approved <i>W. Thompson, Mgr.</i>	Funds available <i>A. Student, Secretary.</i>
THE ONTARIO CONFECTIONERY CO., LTD. Statement of items paid June 20, 19—by cheque No. 22.	

Date	Amt.	Disc.	Net Amt.	Particulars

The total of the column "Am't of Vouchers" would be posted to the credit of this account. The "Accounts Payable" column in the Cash Book would be replaced by a "Vouchers Payable" column, and the total of this column would be posted to the debit of "Vouchers Payable" account in the General Ledger. The balance "of Vouchers Payable" account would hence be the amount of outstanding accounts payable at any time. This amount would prove with the total of the items not checked as paid in the Voucher Register.

In order to have a definite record of and a check upon the invoices paid it is usual to attach a statement form to the cheque issued. This form may be made in duplicate as shown above, —Form 1 and Form 2. Form 1 is remitted to the creditor, who detaches and cashes the cheque and files the statement for reference. Form 2 is retained by the Purchaser and filed with the invoice.

NON-TRADING CONCERNS

A non-trading concern is one not carried on for profit as, a Club, a Society, a Board of Trade.

The double entry system applies to such concerns, but the statement includes, instead of Trading and Profit and Loss statement, a Statement of Income and Expenditure and a Statement of Receipts and Payments. The Balance Sheet is common to both.

A Statement of Receipts and Payments is a classified summary of the cash transactions for the period. It corresponds to the cash book.

A Statement of Income and Expenditure is a classified summary of Revenue and Costs for the period. It corresponds to the Loss and Gain account.

The forms can best be illustrated by an example, thus—

The Trial Balance of the C.D. Dental Society at Dec. 31, 19—, showed,—Debit Balances: Cash \$5552, Buildings \$26000, Library \$5000, Furniture \$1000, Investments \$10000, Office Expense \$2415, Library Expense \$880; Salaries \$3300, Publications \$1600, Dues Receivable \$3600.

Credit balances: Interest on Investments \$500, Fines Levied \$50, Dues for 19—\$11800, Surplus \$49997.

Further data is obtained.—There has been added to the Library during the year \$500, Furniture now valued at \$3800. Interest accrued on investment \$100, Telephone bills unpaid \$75, Dues in arrears, not collectable, \$250 (write them off), Salaries accrued \$60. It is also ascertained that the cash balance Jan. 1, was \$3497, and that the fees due Jan. 1 were \$2000. Prepare the Statements. Library valued at \$5000.

STATEMENT OF RECEIPTS AND DISBURSEMENTS

RECEIPTS	DISBURSEMENTS
Cash on hand Jan. 1..... 3497	Office Expense..... 2415
Interest on Investments..... 500	Library Expense..... 880
Fines..... 50	Salaries Paid..... 3300
Dues Collected..... 10200	Publications..... 1600
	Library books..... 500
	Balance on hand..... 5552
14247	14247

STATEMENT OF INCOME AND EXPENDITURE

EXPENDITURE	INCOME
Office Expense..... 2415	Interest on Investments..... 600
Telephone bills accrued..... 75	Fines..... 50
Library Expense..... 880	Dues for the year..... 11800
Salaries paid..... 3300	Less written off..... 250
Salaries Accrued..... 60	11550
Publications..... 1600	
Furniture Dept..... 200	
Surplus..... 3670	
12200	12200

BALANCE SHEET

Cash..... 5552	Telephone bill acc'd..... 75
Dues Receivable..... 3350	Salaries acc'd..... 60
Int. Acc'd on Invest..... 100	Surplus Jan. 1..... 49997
Buildings..... 26000	Add Surplus for Year..... 3670
Library..... 5000	53667
Furniture..... 3800	
Investments..... 10000	
53802	53802

Date

Dr.

Accounts Receivable

1. Balance (at first)	31 Payment (net) C. J.
2. Sales (Sales Book)	41 Notes (Bills Rec.)
	51 Rebates off sales & returns G. J.
	61 Disc of sales C. J.

Accounts Payable

31 Payments (net) C. J.	11 Balance (at first)
41 Notes (B. Pay)	61 Purchases (Pur. Book)
51 Rebates & returns C. J. off Pur.	
61 Disc off Pur. C. J.	

Harry Phillips	Mervin McGuire
Austin Talbot	Carl Hodson
Allan Talbot	Clayton May
Tom Mills	Donald Hughes
Willard Talbot	Bill Sanders
Robert Haytop	Loring Shobert
Lee Kennedy	Lloyd Chambers
Kenneth Cameron	
Lawrence Brown	
George Pork	
Leonard Clements	
Robert Higgins	
Bill Lewis	
Kenneth Box	
Carl Volker	
Fred Smith	
Melvin Hoover	
Peter Fidler	
George Miller	
Ronald Delecher	
Stanley Round	
Kingsly Showler	
Joseph Van Buskirk	
Henry Hart	
Clifford Oldridge	
Harold Shoebottom	

